KNYSNA LOCAL MUNICIPALITY

Notice is hereby given of a

INTEGRATED HUMAN SETTLEMENTS COMMITTEE MEETING

which will be held on

Thursday, 10 September 2020

at

9:00

on Microsoft Teams

to consider the following items

MUNICIPAL OFFICES
KNYSNA

Chairperson: Cllr A Tsengwa
Members: Cllr S Kwinana
          Cllr M Matiwane
          Cllr S Ngqezu
          Cllr H Stroebel

DR L SCHEEPERS
ACTING MUNICIPAL MANAGER

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1. Opening and Welcome

2. Attendance (as per attendance register)
   2.1 Members: Present
   2.2 Members: Absent with Leave
   2.3 Members: Absent Without Leave
   2.4 Other Councillors Present
   2.5 Officials Present
   2.6 Members of the Audit Committee Present
   2.7 Members of the Public Present

3. Noting of the Provisions of Code of Conduct for Councillors and Declaration of Interest

4. Presentation
   4.1 None
5. MINUTES OF THE PREVIOUS MEETING

5.1 INTEGRATED HUMAN SETTLEMENTS COMMITTEE MEETING : 16 JULY 2020

RECOMMENDATION

That the minutes of the Integrated Human Settlements Committee meeting held on 16 July 2020, be confirmed.
KNYSNA LOCAL MUNICIPALITY

MINUTES

of a meeting of the

INTEGRATED HUMAN SETTLEMENTS COMMITTEE MEETING

held on Microsoft Teams

Thursday, 16 July 2020

at

09:05
1. Opening and Welcoming

Mr B Ngxolwana opened the meeting with prayer, at 09:00, the Chairperson welcomed Councillors and officials to the first meeting.

2. Attendance of Members:

2.1 Members Present

Cllr A Tsengwa  Chairperson
Cllr M Matiwane
Cllr S Ngqezu
Cllr H Stroebel

2.2 Members Absent with leave

Cllr S Kwinana

2.3 Members Absent without leave

None

2.4. Other Councillors Present

Cllr C Croutz
Cllr T Matika
Cllr M Skosana
Cllr L Tyokolo
Cllr I Uys
Cllr E Van Aswegen
Cllr M Wasserman

2.5 Officials Present

Dr L Scheepers  Acting Municipal Manager
Mr D Adonis  Acting Director: Integrated Human Settlements
Mr E Phillips  Director: Community Services
Mr J Mkqungwana  Housing Practitioner
Mr L Petuna  Manager: Integrated Human Settlements
Ms M Paulsen  Manager: Legal Services
Mr C Mattheus  Manager: Administration
Ms J Lakay  Head: Committee and Councillor Support
Mr B Ngxolwana  Interpreter

2.6 Official Absent with leave

None
2.7 Members of the Audit Committee Present: None

2.8 Members of the Public Present

None

3. **NOTING OF THE PROVISIONS OF CODE OF CONDUCT FOR COUNCILLORS AND DECLARATION OF INTEREST**

**RESOLVED**

[a] That the Code of Conduct for Councillors be noted;

[b] That it be noted that no Councillor declared any interest in any matter on the agenda.

4. **PRESENTATION**

None

5. **MINUTES OF THE PREVIOUS MEETING**

**RESOLVED**

That the minutes of the Planning and Development Committee meeting held on 6 February 2020, be noted.

6. **MATTERS ARISING FROM THE MINUTES**

Page 9 IHS04/02/2020
Page 10 IHS06/02/2020
Page 11 IHS07/02/2020

The Acting Director : Integrated Human Settlements, Housing Practitioner and Manager : Integrated Human Settlements responded to questions raised by the Committee and other Councillors.
7. **MATTERS SUBMITTED BY THE MUNICIPAL MANAGER**

**IHS01/07/2020**  
**REPORT ON INTEGRATED HUMAN SETTLEMENTS: STATUS OF KNYSNA HOUSING PROJECTS FOR THE THIRD QUARTER OF 2019/20 FINANCIAL YEAR**

**UNANIMOUSLY RECOMMENDED**

[a] That the contents of the report on Integrated Human Settlements: Status of Knysna Housing Projects for the Third Quarter of 2019/2020 financial year, be noted;

[b] That the Breach of Contract Claim be concluded timeously to enable housing delivery in line with the business plan;

[c] That the Chairperson of the Integrated Human Settlements Committee and Acting Director : Integrated Human Settlements conduct contact sessions with all Ward Councillors within the next two weeks to discuss project processes and challenges within the respective Wards.

File Number : 9/1/2/13  
Execution : Acting Director : Integrated Human Settlements  
Manager : Integrated Human Settlements

**IHS02/07/2020**  
**REPORT ON INTEGRATED HUMAN SETTLEMENTS: STATUS OF KNYSNA HOUSING BUSINESS PLAN FOR 2019/2020**

**UNANIMOUSLY RESOLVED**

That the contents of the report on the performance of the 2019/20 Integrated Human Settlements Plan, be noted.

File Number : 9/1/2/13  
Execution : Acting Director : Integrated Human Settlements

**IHS03/07/2020**  
**HOUSING BUSINESS PLAN - 2020/21 FY COMMENCING 1ST APRIL 2020 AND A PLAN FOR 2019/2020**

**UNANIMOUSLY RECOMMENDED**

That the contents of the Integrated Human Settlements Business Plan for 2020/2021 as approved by the Western Cape Department of Human Settlements, be noted.

File Number : 9/1/2/13  
Execution : Acting Director : Integrated Human Settlements  
Manager : Integrated Human Settlements
UNANIMOUSLY RESOLVED

That the matter with regard to the Draft Policy (Part 1) June 2020 be referred to the next Integrated Human Settlements Committee, for consideration.

File Number : 9/1/2/15
Execution : Acting Director : Integrated Human Settlements

8. Closure

The Chairperson thanked everybody present for their contribution and the meeting terminated at 12:18.

Approved

........................................... ...........................................
Chairperson : Cllr A Tsengwa Date

-oOo-
6. MATTERS ARISING FROM THE MINUTES
7. **MATTERS SUBMITTED BY THE ACTING MUNICIPAL MANAGER**

7.1

| IHS01/09/2020 DRAFT INTEGRATED HUMAN SETTLEMENTS POLICY |

**REPORT FROM THE DIRECTOR INTEGRATED HUMAN SETTLEMENTS**

**PURPOSE OF THE REPORT**

This serves to update and seek the Committee and Council' approval on the formulated draft Integrated Human Settlements Policy (Part 1) whose guiding Strategic Plan was earlier considered and approved by Council during July 2019. The Strategic Plan for IHS was approved to also guide the subsequent formulation of the Directorate' housing policies which will commonly be applied in the development and management of the KM' overall housing programmes.

**PREVIOUS RESOLUTIONS**

The Committee and full Council allowed for holding of a workshop of the then approved KM' Strategic Plan. This was followed by the formulation of the draft policy framework which will now guide the implementation of KM' Housing Programmes on the basis of the principles of fairness and equity in order to lend confidence to the KM' long term commitment to housing delivery and socio-economic integration.

**BACKGROUND**

As highlighted in the enclosed draft policy document as well as presentation that was made to the Committee during July 2019, the KM’ current housing environment is characterized as the beginning of a more stable environment notwithstanding the significant challenges that still abound.

It is hoped that the approval of the draft policy will enhance the much required stabilization as well as development of much needed staff capacity through appropriate policy framework and standard common operational procedures.

**DISCUSSION**

It is proposed that due consideration be given to the alignment of these policies which have been guided by the earlier approved I H S Strategic Plan which is appended here-in. This represents 80% progression with the formulation process, which also depends for its effectiveness, on the placement of staff in the requisite positions as outlined in the approved organizational structure. Earlier placement would have allowed for a seamless training and development programme to all staff to comprehend and operate commonly within a firm and common policy and operational procedures framework.
FINANCIAL IMPLICATIONS

The projects are wholly funded through Human Settlements Development Grant administered by WCDoHS. Knysna Municipality acts as a developer/agent of WCDoHS for the implementation of the Housing Programs. There is however, a need for additional funding due to the Corona virus pandemic, which resulted in National lock down and additional requirements for Health and safety. Knysna Municipality has been in constant communication with the WCDoHs towards ensuring that additional funds over and above the budgeted amount which are made available to cover Health and safety requirements as well as standing time and extension of time claims applicable in terms of the General Conditions of Contract.

RELEVANT LEGISLATION

The implementation of these projects is guided by the following legislation:
1. Constitution of the Republic of South Africa
2. Municipal Finance Management Act
3. Public Finance Management Act
4. Municipal Systems Act
5. Municipal Structures Act
6. Social Housing Act
7. Asset Transfer Regulations

COMMENTS FROM THE MUNICIPAL MANAGER
The report is noted.

COMMENTS FROM CORPORATE SERVICES
None

COMMENTS FROM FINANCIAL SERVICES
Noted and recommended that it be presented in a workshop for all key and relevant stakeholders.

COMMENTS FROM TECHNICAL SERVICES
Noted

COMMENTS FROM COMMUNITY SERVICES
None

COMMENTS FROM PLANNING AND DEVELOPMENT
Report Noted

COMMENTS FROM LEGAL SERVICES
None

RECOMMENDATION OF THE ACTING MUNICIPAL MANAGER

[a] That the Draft KM IHS Policy framework Part 1 be adopted and approved;

[c] That the approved Strategic Plan and Policy Framework be workshopped with all staff, other departments, development partners, clients and local community stakeholders to be conducted by the Senior Management of the Integrated Human Settlements Directorate with internal Corporate support from the Public Participation and Communications Sections.

APPENDIX / ADDENDUM

1. Draft Policy IHS Annexure 1
2. IHS ANNEXURE 2 STRATEGIC FRAMEWORK PLAN 25 JULY 2019_ANN
3. 5 - 10 year IHS Delivery Programmes 12 Sept 2019

File Number: 9/1/2/15
Execution: Manager Integrated Human Settlements
ANNEXURE 1

DRAFT POLICY AND PROCEDURAL FRAMEWORK (PART 1)

“Re-imagining a New Knysna” – Introducing our New Strategic Integrated Human Settlements Plan and Draft Policy Guidelines

1. Executive Summary

Knysna Municipality has recently committed itself to be part of the South African low income housing delivery chain landscape. All-embracing philosophical statements called “Re-imagining a New Knysna” which has been adopted as a strategic guideline to all its departments have led this. The strategic intention remains the need for genuine commitment towards long-term socio-economic integration through collaborative efforts and partnerships with development partners who share the same strategic vision. The Municipality relative to its own housing challenges is similar to other regional public contexts in SA and therefore sits with the same historical imperfections of spatial planning settlement distortions characterized by race based and ad hoc housing programmes/projects. These are not driven by structured town planning management strategies and are always characterized by reactive modes of delivery that do not have a major impact of turning around situations of squalor and poverty in a meaningful and sustainable manner.

2. Outlining the current Housing Paralysis in Knysna

The Municipality has a significant housing backlog of 9 588 low - income households which grows annually by 3%. To date it delivers per annum an average of 550 units on the baring of a consistent land invasion reactive response. This entails primarily providing a one dimensional housing typology product characterized by interim services to informal settlements which are densely populated, PHP and BNG (formerly known as RDP) housing products. These are funded primarily by the Western Cape Department of Human Settlements’ capital and operating budget sources.

It has also undergone serious lengthy periods of lack appropriate internal institutional capacity that has seriously compromised its ability to coherently project manage its housing programmes over the years. This is despite significant recognition for winning numerous Government Mbeki Awards for its vision 2002 projects provincially and nationally. There has been an over reliance to the WC DoHS provincial authority relative to planning, capital and operating budget resources and systems. It is the third largest number of land invasions and informal settlements which are
densely populated often located in steep slopes and rough terrain coupled to its status as an environmentally sensitive areas given its forestry and exposures to numerous fire incidents. It has limited municipal land parcels and buildings, which have hardly been creatively optimized in their use to create and attain much-required corridors of integration. This is despite government legislation encouraging realization of appropriate use of municipal assets for affordable housing products in inner city areas where land and properties have been used to date in an unequal manner. This unfortunately has limited the ability to gravitate towards the realization of the desired long term socio-economic integration as advocated by national government legislation, the NDP as well as the Municipality’ own IDP, SDF and Council corporate objectives.

However, historical poor internal administrative coordination across services has over the years been a limiting factor, which has resulted in lack of a qualitative and quantitative response to the historical and current housing programme. The pervasive silo mentality still prevails across departments and need to be genuinely dealt with. To this end, the efforts of the senior management team (TMT and the ETMT) under the astute leadership of our Municipal Manager and its Directors have begun to promote the need to ensure this desired management approach and the building and restoration of a team culture and inclination towards operational efficiencies under the new Knysna Municipality’ philosophical statement reflected above. This has begun to restore much needed confidence and hope that the situation and current paralysis can be turned around towards sustainable fair and effective operational processes characterized by genuine commitment to the plight of our low-income customer base.

Given this context which is patently not sustainable and further coupled to lack of optimization of its current land and properties for densification in its endeavor and commitment to meet its affordable housing stakeholders’ needs for adequate shelter and housing, the Knysna Municipality has resolved to adopt a typology driven housing model. This is outlined in its approved Strategic Plan as well as in this subsequent Policy Framework document, which will be presented to senior management and full Council. This is driven primarily by the need to turn around the current paralysis around delivery by providing different forms of affordable housing products that best respond to the diverse range of choice for the targeted low income housing market as well as meeting its corporate IDP and SDF framework that talks to sustainability and development of the people of Knysna in a fair and just manner. Further to this and the reality that this is driven by the need to eventually satisfy long term sustainable socio-economic integration, the Knysna Municipality through its Integrated Human Settlements Directorate, has subsequently during September 2019, considered and approved a new Strategic integrated Human Plan. This has significantly guided the formulation of this draft Policy and Procedural Framework, which details the development and long-term operational management of related projects and assets.

This will be pursued in alignment to the external legislative environment and regulatory programmes of the SA government as well as its own strategic corporate goals and objectives for sustainable mix of turnkey capital and social housing projects in well-located areas, which complement and enhance ease of socio-economic integration and delivery in the long term. It will primarily be guided by the provisions of the RSA Constitution, key housing acts of Parliament like the Social Housing Act, National Housing Code. Rental Housing Act, the Municipal Finance
Management Act (MFMA), The Public Finance Management Act (PFMA) and other key related legislative and programme guidelines that sets the regulatory framework and standards to be a recognized and accredited stakeholder within the housing delivery chain and environment.

Whilst the Municipality has not yet delivered any requisite social housing products at this stage through partnerships as envisaged in this framework, it has however resolved to pro-actively formulate related housing policy guidelines which link and align to its strategic plans and objectives of being a known and recognized player and contributor within the SA housing delivery context. It intends doing this by primarily promoting the long-term development needs of low-income households within its existing jurisdictional area and landscape. It intends to affirm and strengthen its housing programmes through greater yields and requisite management capacity whilst being guided by this framework.

In anticipation of this, it has committed itself to the evaluation of its internal management capacity, policy framework and current relationship with its external stakeholders and delivery programmes. This will essentially determine our readiness to be part of the affordable housing delivery environment whilst earning the mutual respect, trust and confidence of our various stakeholders and delivery partners. This will include review and refinement of our current vision, Council and corporate management readiness to be part of this exciting venture going forward. This is anticipated to be instrumental in enhancing our standing in the low income housing delivery chain through the planned re-building of our profile and commitment to be a known and recognized stakeholder in the affordable housing sector. This will also be instrumental in regaining lost trust and confidence from our targeted community stakeholders, development partners from the private and public sectors and end users of its mixed housing typologies.

This will also finally extend to the building of collective ownership of the new housing policy framework, delivery programmes and services internally across Council departments as well as primarily the targeted communities and potential development partners. This is an essential best practice feature and approach to pursue given that it is an essential requirement to sustain the new programme.

To this end, the principles of fairness, equity, a corrupt free vehicle that develops and manages our realigned envisaged housing programmes, services, projects and clients will be applied and characterized by functionality, quality and durability. There is an established desire and commitment within the Municipality to ensure the attainment and affirmation of the dignity and respect of our communities at all times through such critical and important principles and envisaged interventions to turn the current housing challenges and needs for the better. This will also extend where viable, to forging coherent social housing partnership arrangements with accredited social housing institutions to enhance delivery of sustainable social housing solutions within in the Western Cape context.

In summary therefore, the following policy guidelines have been put together on the basis of established and comparative best practice within the current affordable housing industry of SA
and internationally, in order to minimize associated risks and inability to effectively and efficiently sustain the Municipality’ desired housing programme commitments. These policy arrangements have also been put together in alignment to above housing legislative and regulatory guidelines. More importantly, these will be periodically reviewed and aligned where necessary, to ensure their continued relevance, legal alignment/veracity and applicability from both administrative and legislative perspectives.

Once adopted by Council, the draft Policy framework will be work shopped internally within the Directorate and extend to the entire Council operational working environment during the 2019/20 financial cycle to build internal confidence and trust as well as collective ownership of the framework. This will thereafter extend to the external environment and related stakeholders during November 2019 – March 2020. Once the Framework has been written and documented as a common document to be used internally and externally to outline and administer our housing programme, it will commence to be used operationally within and across the departments as well as in our daily interaction with our customer base and external stakeholders. It will also be linked to efforts to re-align the Department’ organizational structure and capacity to be reflective of the ability to successfully undertake such a significant housing delivery process and will be reviewed periodically for further refinement and adaptability to changing circumstances. This will also extend to other key requirements like budget formulation, alignment of required systems and resources to ensure necessary sustainability of our development programme.

2. Towards a Set of General Guiding Principles

Given the current administrative and structural weaknesses and instances of lack of confidence by both internal and external clients within the Municipality’ affordable housing delivery chain in Knysna, the situation calls for formulation and adoption of guiding responsive principles as advocated by the specific government legislation, housing programmes and delivery intent. It is for that reason that Knysna Municipality has therefore aligned and committed itself to the following principles.

2.1. **Equity** - all applicants or households applying for an affordable housing opportunity must have an equal access for related services to avoid any inference or claims of special treatment or bias.

2.2. **Transparency** - create necessary understanding and confidence by allowing all approved policies and procedures to be readily available to allow anyone to scrutinize related documents / publications, which outline how such processes for allocating housing opportunities are applied. This will allow as well for evidence of irregular, unfair or corrupt practice to come through and be mitigated against to minimize associated risks and the company’ standing.

2.3. **Pragmatism and Functionality** - related policies and procedures must at all times be practical and less costly. The need to edge rather towards pragmatic judgement in implementing such policies and procedures is a key requirement that preserves its intent whilst at the same time saving undue costs and ensure greater pragmatic progress.

2.4. **Social Cohesion** - need to minimize divisions and bias through coordinated and synergized efforts and programmes, the spirit of any formulated policies and procedures will be responsive
to social conflicts and tensions whilst ensuring need to move towards long-term development of all clients, local communities, and staff/management as well as service providers.

2.5. Long Term Socio – economic Integration - given that the long term goal in providing equitable and qualitative affordable housing opportunities of a mixed range is to enhance sustainable growth and integration, the allocation policy in particular must be applied in such a manner that promotes such an ideal and objectives as advocated and legislated by government (e.g. the RSA Constitution, the National Housing Code, the Social Housing Act, Rental Housing Act, etc.) as well as through its key programmes represented by the National Development plan, Breaking New Ground, New Rental Housing Strategy.

2.6. Keeping the Related Policies and Procedures Current and Relevant - related policies constantly evolve to avoid becoming rapidly outdated and irrelevant. This therefore necessitates in the main an agreed and effective policy coordination function or unit within any resulting institutional structure that is an obligatory feature and practice.

To this end and desired best practice effects, the KM will have an internal management unit within the Directorate made of dedicated personnel under the leadership of its Director: HIS. The unit will primarily be responsible for maintenance, upkeep and distribution of current policy and up to date procedures whilst at the same time providing ongoing and consistent training and guidance to the implementing staff or divisions that constitute the Directorate. This will ensure that this becomes a mutually rewarding experience for both clients and the municipality and its development partners.

2.7. Intended Users of the Policies and Procedures - The key users of such newly formulated policies and procedures will be the Directorate’s management and operational staff primarily. They will be fully workshopped, trained and developed to technically comprehend and implement such policies efficiently and effectively. To achieve such an ideal scenario, the following users across departments within the KM have been identified as the following key users:

- various levels of municipal management and staff
- administrative, finance, Corporate and HR, social and economic, planning/engineering, etc., support staff
- new employees, trainers and facilitators
- any other persons or units identified to be involved directly or indirectly in the development and management of clients and assets as well as related affordable housing programmes and services

2.8. Promotion of a corrupt free Directorate and Municipality

Disgruntled community members and stakeholders have sometimes subjected the image of the Municipality to claims of corruption and dishonesty as well as lack of trust and confidence. It is important that the KM must in turn acknowledge and contend with such circumstances and context whilst seeking to formulate and implement sustainable interventions to change such a perception and restore the trust and confidence of its stakeholders. The following interventions
and measures should then be pursued towards turning around the situation and the KM’ image for the better:

- Ensure collective ownership of the KM’ strategic objectives (i.e. the IDP, Strategic IHS Plan and newly formulated Policies and Operational Procedures)
- Effective Communication and consultation processes and platforms
- Structured marketing and building of community awareness on the value of our Municipal Services and programmes
- Adopt a corrupt free image and readiness to openly and consistently deal with corruption claims and charges
- Train and develop our staff to adopt appropriate ethical values and standards of professional performance and conduct at all times
- Build and enhance political and management support for such interventions by building a
- Enhance and ensure collective ownership of all Council programmes and services internally and externally
- Deal effectively and efficiently with all instances of such claims and charges
- Periodical review and alignment of Policies and programmes to ensure their respective relevance and alignment to legislation and adaptation to changing demands, new creative management and development models.

3. Essential Key Elements of Related Policies and Procedures

The recently approved KM Strategic IHS Plan talks to the commitment of providing a typology driven housing model, which caters for different needs and choices of its targeted stakeholders and clients. More importantly, is the need for scaled delivery that best meets the varied needs of our low-income households and targeted clients. To this end, KM commits itself to the development of a supportive delivery environment characterized by best practice and functionality that is inclined towards the following typologies, namely:

3.1. Affordable Rental Housing Programme

The successful delivery and management of requisite affordable municipal rental stock as well as management of long-term healthy relationships is based on the following key elements:

- **Lease and or Tenancy Agreement** - this allows for contractual arrangements and responsibilities of both the Client and the Landlord to be formally mapped and outlined to ensure ease of common understanding of respective obligations.
- **Appropriate Allocations** - clear depiction of the processes that guide allocations from pre entry to post entry stages
- **Payments and Arrears Arrangements** - clear outline of how statements for related municipal debts are raised, charged and settled.
• **Reactive/ Routine Repairs** - outline types of repairs, reporting process, costing and related budgets, responsible outlets, administrative processes, service providers, tenant and landlord responsibilities, etc.
• **Planned Maintenance** - similar process above and cycles used to effect same
• **Tenancy matters** - dealing with formal and informal aspects, lease obligations,
• **Tenant Consultation & Representation** - healthy consultative relationships, communication and consultative processes, training and development needs, social cohesion and interaction within immediate environment, safety and security, service cycles, Policy and Procedural framework changes and impact, local community development and integration, etc.

Another key intervention is the forging of strategic and development partnership arrangements with SHRA accredited social housing institutions for targeted delivery of sustainable social housing projects in well-located areas of the KM. These will be located in Restructuring Zones, which were determined, and gazetted by the National Department of Human Settlements working together with the Western Cape Department of Human Settlements and KM. The latter initiated this process which is driven by the main criteria of ensuring long term socio-economic integration in well-located areas reflected in the KM's local area spatial planning development areas where sufficient infrastructure and socio-economic facilities and opportunities prevail.

The MFMA does allow for forging of such delivery partnerships between public and private sector entities based on deriving social equity. The KM will avail public land as some form of equity to make the targeted social housing projects feasible. It will also avail support for use of institutional subsidies as outlined in the National Housing Code, Restructuring Capital Grants and where feasible attract private sector loans as an overall funding programme and related sources. The institutions will be expected to undertake the necessary project feasibilities as well as financial modelling to determine whether targeted projects are feasible enough.

These accredited institutions will be sourced in terms of the Social Housing Act, 2009, which obligates municipalities to provide an enabling environment for social housing delivery in a sustainable manner. The original income target as per the guidelines of the ACT and National Housing Code was primarily to low income households who prefer the rental housing option who earned a combined household income that is below R3 500 per month.

With subsequent periodical changes to the Social Housing Act and further National Human Settlements Ministry formal announcements, this was later reviewed and determined at the following categories:

1. **Primary Social Housing Market**: R0 – R3 500 combined monthly household income. This category has recently been reviewed per Ministerial announcement during 2019 to R4 500 combined household income per month.
2. **Secondary Social Housing Market**: R3 501 – R7 500 combined monthly household income. This has also been adjusted during 2019 to R12 500 per month through the same announcement...

Knysna Municipality will have to take the above funding thresholds and related guidelines of the Social Housing Act, MFMA and SHRA regulatory guidelines into contention in pursuing such coherent partnership arrangements. The programme is referred to as the SMART Partner
approach or concept model, which allows for evaluation of the merits of each interested social housing partner on a set of criteria which measure the legal and sustainable standing of any interested partner.

KM will now undertake the following critical steps in line with the MFMA to seek such SMART partner, namely:

A concept partnership proposal will be presented to Council in due course detailing the following key determinant factors:

- The rationale and intent,
- Administrative and legal implications,
- Period of the partnerships with successful partner(s),
- List of identified land parcels,
- Accreditation rationale and status,
- Governance of the formal contractual relationship,
- Targeted income thresholds,
- Unit yields,
- Performance targets,
- Period of contractual existence and periodical review and extensions,
- Respective contractual obligations of the Municipality and the participating SHIs.

Given the size of the Municipality, limited land parcels, extent of planning framework, housing backlog and demand which stands at 9 599 which grows at 3% per annum, it is proposed that the initial partnership be with only a single or two successfully accredited SHIs that meet and satisfy required criteria. It should also be acknowledged that this process recognizes that the new Strategic IHS Plan recently adopted by Council does allow for such a form of municipal and social housing rental options. These options have different capital funding requirements and State Funding sources, which are as follows:

1. **Community Rental Units (CRU)** commonly referred to as Municipal Rental Stock has the following capital funding sources – CRU subsidies and equitable contribution from the Municipality where warranted to make projects feasible and sustainable. The National Housing Code, National Rental Housing Act, etc., provides related guidelines and use of State resources and funds to realize this. Already many Municipalities like the City of Cape Town, Durban, Ekurhuleni, etc., have successfully rolled out such municipal rental opportunities in well located areas for targeted beneficiaries using the same model and funding sources. KM has the advantage of having existing rental blocks in well located areas with some in the CBD area of the Municipality which can be leveraged from an upgrading of existing facilities and realization of additional infill blocks to increase the yield of such opportunities. This together with the other forms of rental products detailed below will assist to provide for sustainable provision of rental options where low-income households reside, play and work in well-located areas with sufficient socio-economic facilities and infrastructure. This will serve to complement the need to meet the Municipality’s commitment towards long-term socio-economic integration.
2. **Social Housing Projects** – these are mainly funded through the Institutional Subsidy derived in terms of the National Housing Code and the Restructuring Capital Grant for projects deemed to be in Restructuring Zones (RZs). The SA social housing trajectory has seen many successful launch of such projects by virtue of participating Municipalities aligning themselves to the National Housing Code, Social Housing Act and provisions of the National Development Plan (NDP), MFMA, MSMA, etc., which combined provide for structured allocation and use of land and funding assets for realization of long term social equity for targeted low income households as defined in the applicable legislative pieces outlined here-in.

The traditional target market for such households has been those earning between 0 – R3 500 combined household income. These thresholds were subsequently changed when the new Restructuring Zones and linked grants were formally confirmed. These saw a movement from the traditional primary housing market of 0 – R3 500 monthly combined household income moving to the recognition of a secondary market that allowed for targeting of households earning per month a combined household income that is between R3 501 to R7 500 per month.

The Social Housing Act and National Housing Code does advocate for periodical review of such incomes in order to ensure the sustainability of participating housing institutions from a long operational perspective and reality.

These income thresholds for targeting the different sets of social housing qualifying beneficiaries have then since been reviewed during 2019 by the National Department of Human Settlements and adjusted for implementation for new social housing projects in Restructuring Zones (RZs). To this end, the Ministry of National Human Settlements has made a formal announcement during 2019 as follows:

- **Primary Social Housing Market**: R1 500 – R4 500 combined monthly household income
- **Secondary Social Housing Market**: R4 501 – R15 000 combined household monthly income

The National Department of Human Settlements (NDHS), the Social Housing Regulatory Authority (SHRA), both recognize these income streams for implementation already for all new social housing projects

The KM will be embarking on forging SMART partnerships with accredited housing institutions by the SHRA. A proposal call to such accredited housing institutions will be made in terms of the approved Strategic Plan of the KM as well as in line with MFMA and the KM’ Supply Chain Management Policies. These envisaged partnerships will result in five-year contracts being concluded with successful SHIs which will be allocated specific land portions and properties belonging to council or those transferred / acquired by the Municipality for realization of social housing opportunities. The Municipal land or buildings
which will be used for such affordable social housing rental opportunities will be availed over a thirty (30) or forty (40) year lease arrangement period, subject to prior Council approval.

The Municipal land or properties will be allocated alternatively based on a 10% nominal fee of its overall market value as has been done in other municipalities that have similarly and successfully rolled out similar partnerships for social housing programmes. The development and management of such buildings will also be funded through supported State Funding Institutional subsidies, SHRA Restructuring Grant Funding sources as well as private bank loans and participating entities’ own internal equity. As indicated earlier the process will be detailed and presented to Council for final consideration and approval. This will be tested in the form of a pilot social housing project initiative using targeted land/buildings, which will be useful to test long-term applicability and sustainability.

The successful entity when chosen on the basis of set criteria as defined above as well as SHRA’s Regulatory framework will be allowed to enter into formal performance contract with set milestones and obligations between the Municipality and the entity. Essentially this will allow for structured use of Council assets and funding sources which will be inclined towards low income households as well as the right of reversion to take over the project at any stage should there be demonstrated inability to perform or major deviation from the formal contract by the participating social housing partner.

3. Mixed Rental Housing options – Given the KM’s commitment to typology housing model and need for sustainable development it merits further consideration to pursue mixed development options which have elements of rental and commercial uses, where appropriate. Depending on the location, creative approaches and models will have to be part of a feasibility exercise depending on the site and location and ability to realize related outcomes.

Social housing institutions must be registered and accredited with the SHRA as well as in terms of the Company’s Act of SA. It is important for the KM to create an enabling and supportive environment to meet the programme requirements of the above three categories of low-income rental housing.

Internally, measures have to be made for transfer of all core housing administrative records and operational functions to resort under the newly established Directorate of Integrated Human Settlements as envisaged and supported by the KM’s newly adopted HIS Strategic Plan Framework already approved by Council during 2019.

3.2. Development of New Ownership Housing Products

Once again as emphasized below the primary focus will be on Breaking New Ground (BNG) typologies or products that promote ownership schemes primarily for low income households who earn a combined monthly household income that is between 0 – R3 500 per individual household. These products are covered within the guidelines of the National Housing Code, Housing Act, 1997, Rental Housing Act, 1999, the Social Housing Act, 2009, the MFMA and the MSA.
Knysna Municipality has over the years undertaken various database interventions to measure the extent of demand from the existing areas it manages in order to be able to respond at scale relevant to choice and typologies to contain its housing demand requirements. To this end, having edged closer to 10 000 households with a growth of 3% per annum, the KM has committed itself to respond comprehensively through a medium to long term business plan that will potentially realize a yield of 1500 units per annum over five (5) years. This will be reviewed after 5 years and be enhanced to 3000 units per annum. There is a heavy dependency on the development of a town planning strategy which will guide the KM’s leveraged use of its own land and public property assets to attain such a high yield.

It is for that reason that a strategic land acquisition strategy be developed and pursued by the KM’s Directorate of Corporate Services working together with the internal Planning Directorate to make this a living continuous reality given the level of demand, scaled delivery, de-densification and identification of areas of medium to high density blocks of development to optimize the use of limited land and need for long term integration in well located areas. The Municipality will also need to deal with the servicing cost ratios and challenges given the high levels of rugged terrain, slopes, wetlands, limited land, etc. within its jurisdictional areas.

The types of housing models as argued earlier for affordable homeownership products and serviced sites which are essentially some form of incremental housing response to immediate housing needs, are as follows:

3.2.1. BNG or the traditional RDP self-contained, semidetached, duplex units (40 square meters per unit);
3.2.2. ISSP
3.2.3. UISP
3.2.4. Interim Serviced Sites
3.2.5. GAP and FLISP – ownership units for entry middle income households

Given the prevalent historical high densities in Knysna, it has become necessary that the proposed scaled delivery include elements of medium to high density housing products to deal with immediate sprawl and de-densification requirements. To this end applications are being made to the WCDoHS for immediate interventions to undertake the following interventions which will be vigorously followed in specific targeted informal settlements:

1. UISP and ISSP – informal settlement upgrade subsequent to initial de-densification;
2. De-densification to Temporary Relocation Facilities (TRA) – medium to high density interim residential facilities using alternative building technologies and solar energy solutions;
3. Capacity for profiling and database services per targeted informal settlements; and
4. Mobility to well-located social housing and CRU products as well the afore-mentioned BNG products to qualifying beneficiaries when fully developed.

3.3. Technical Development Policy

(Which includes "General Development, Physical Development and Hand-over Policies for all forms of low income housing developments")
Purpose

This document provides a general policy framework, which the Knysna Municipality will use to guide its planned and active development of all its affordable housing typologies. It includes guiding principles that determine how the organization and its stakeholders will behave or respond as it pursues its long term objectives and development plans as well as related programmes and projects within the context of social housing.

Objectives

- Developments are aligned with KM's approved Strategic I H S Strategic Plan, IDP, Spatial and Local Areas Development Frameworks and Plan
- Pursuit of feasible Developments
- Developments are viable
- Identified and committed projects must meet national, provincial & local demand and legislative requirements
- Use of responsive financial modelling and Business Plans
- Developments are aligned to national policies and programmes
- Construction/refurbishment conforms with National Building Regulations, SABS Codes of Practice as well as those specified by NHBRC
- Construction/refurbishment is executed, completed and handed over with due diligence and in accordance with pre-defined parameters set by the SHI or developer requirements for affordable ownership units.

Overview

This document encompasses the following key obligations and commitments for KM:

- Provides a general policy framework for development of housing stock
- Provides guidelines for the selection of housing stock
- Provides guidelines for approval for investigation, acquisition or development of housing stock
- Provides the framework for the physical development of new or existing housing stock
- Provides the framework for the hand-over of the buildings / newly developed State Funded housing products as outlined in the National Housing Code, Social Housing Act, etc.
4.1. General policy framework for development of New Housing Stock

4.1.1 Developments must fall within the Strategic Plan, IDP, SDF, and Local Area spatial Planning Framework of the KM.

4.1.2 Developments must be in line with its core business and policies as defined in the Strategic Plan (SP).

4.1.3 Developments should achieve both short & long-term objectives & goals as defined in the Strategic Plan (SP).

4.1.4 Developments should be financially viable.

4.1.5 Developments should be demand-led. National, provincial and local government housing policy frameworks, and specifically the subsidy schemes, should be accommodated where possible. However, policy should not undermine project viability.

4.1.6 Developments should contribute to the regeneration of the areas in which they are situated. Accordingly, all development should strive to be mixed income and mixed use. KM commits to seeking synergies with local, provincial and national government programs on urban regeneration.

4.1.7 Focus should be on development within precincts where KM operates to enable a demonstrative impact on the surrounding environment and to assist in economies of scale in managing the buildings and housing products/properties.

4.1.8 KM approved developments will at all times recognize and cater for markets operating in designated precincts. The emphasis is on servicing low to middle-income markets in a way that is affordable, sustainable and promotes growth. Income categories will be as specified within the Social Housing Policy. However, KM will strive for awareness of the increasing exclusion of the poor from the inner city by a variety of social, economic and legal processes and actively work to assist the poor in remaining in well-located areas of Knysna by developing appropriate products and services. Mixed income and mixed-use development are to be encouraged.

4.1.9 Need to leverage and optimize use of land and council properties to enable delivery at scale by reversion to the

4.1.10 Developments will also strive to facilitate Black Economic Empowerment (BEE) either through the awarding of projects to BEE companies in accordance with KM’s Procurement and SCM Policies or through the provision of training opportunities within development projects.

4.2. Guidelines for the selection of housing stock

4.2.1 Location

- New developments should be situated in areas where KM is already operating and should cater for the market demand in that location.
- Location should also be influenced by increasing economies of scale of management and decreasing management costs.
• How the new development helps upgrade the precinct where the development is located must be taken into account. Existing social and economic uses of the surrounding buildings and neighborhood should be considered in determining the risks of development.
• Existing zoning must be considered and any costs or delays in changing the zoning.
• The availability of transport, services, social and community facilities, access to educational and recreation facilities for the target market, general economic status of the area and employment opportunities should be taken into account.
• The locations should be mapped within the Municipality’s SDF and Local Area Spatial Development Nodes in order to ensure that these complement and meet the KM’s Strategic Plan Objectives of long-term socio-economic integration.
• Ability to ensure strategic acquisition and leveraged use of the KM’s limited land and properties, which should be strategically used for affordable housing purposes. This should also be informed by a newly developed town planning strategy that outlines how best to use Council or strategically acquired public land and properties to enhance scaled delivery.
• Given the high densities and backlog that is at almost 10 000 with an annual adjustment of 3%, it has become necessary that a de densification strategy in existing informal settlements be pursued and coupled to various housing models and products characterized by medium to high density products and housing typologies – BNG, In-Situ upgrading/Serviced sites, social housing, CRU, GAP and FLISP housing and as recently advocated due to the Covid-19 and other major national pandemics and disasters, emergency housing based on the medium to high density model using alternative material for cost and sustainability purposes

4.2.2 Markets and Sales
• There should be a thorough understanding of the market and market demand in the area.
• The targeted housing products based on the typology model should be designed with an understanding of social composition of potential tenants and affordability levels.
• The social composition and political linkages of the community within the building and any risks associated with this must be taken into consideration in making any purchase decision.
• Feasibility studies should take into account product demand, affordability, vacancies and turnover appropriate to the target market.
• Mixed income developments are to be encouraged.
• New developments should take into account market response to existing developments. This might mean a change in KM’s specifications for a particular project or building type.
• Developments might take into account both subsidized and unsubsidized target groups.

4.2.3 Social and legal
• A social audit must guide all decisions to acquire or develop housing stock. The audit must include an assessment of the personality and dynamics pertaining to the community of the building considered for purchase.
• The social impact and social consequences of the acquisition on any existing building population or on the precinct should be considered.
Vacant possession makes refurbishment easier. In the case of social housing projects, the SHI’s preference should be to take over buildings, which do not have residential tenants.

Where a building is occupied, negotiations should be entered into with existing tenants to provide alternative accommodation and a return to the renovated building on the SHI’s normal lease, rents, terms and conditions.

If negotiations fail, KM will consider eviction proceedings as a final resort.

Delays and expenses arising from the legal process in gaining control of a building must be accounted for in the acquisition programme. The delays associated with eviction processes, council approval and implementation processes, utilities clearance and transfer must be anticipated and costed in the feasibility study.

Preparatory work with media, politicians and the judiciary should be taken into account where an eviction will be necessary.

All projects will only be pursued and implemented with the prior political and management support of the Council and Top Management Team of the KM. In the event of any ensuing socio-political factors that might hamper the project, no council or staff member must argue contrary to the objectives and planned implementation of the project.
4.2.4 Financial viability of a project

Feasibility Study

- A financial feasibility study must guide all decisions to acquire or develop housing stock.
- Feasibility standards in respect of affordable rental projects must aim for a YOI of 12% on new build and 16% on refurbishment or upgrades; a cumulative positive cash flow from year one; and the results of IRR should always be greater than the prime lending rate.
- Project costs: the capital costs should take into account total project costs associated with bringing the building on stream. These would include the cost of land, buildings, holding costs, refurbishment and finance in relation to targeted tenant affordability and hence repayment. Other items to consider would be the availability of the KM and or the participating developer or SHI’s funds, access to loan funding, the cost of funds, and the cost of construction within a life-cycle maintenance framework, comparative costs per unit in similar developments, and the most efficient manner to provide service reticulation, measure as well as monitor and recover utilities. Subsidies should be used in a manner which does not undermine project viability.
- Financial sensitivity studies should be done, in particular to highlight the building income factor with respect to SH and BNG developments. The building income factor is the percentage by which the increase in income for the buildings differs from the increase in expenses for the buildings. This, together with the cost income ratio of the building, must be taken into account in determining project viability. There should also be a detailed sensitivity study made of income, capital costs, operating costs, recoveries, and delays in implementation.
- Commercial space should be considered as a bonus and should not be taken into account in determining project viability.
- Life cycle costing: initial construction, upgrading or refurbishment must operate on the principle of lowest cost over 20 years.
- The cash flow implications of a new project should respectively be considered on the KM and SHI’s budget as a whole. Projects should take into account the opportunity cost of investing in the building under consideration.
- Operating costs and rentals should include a survey of market rents in the area, average expenditure for the project type in the immediate area, YOI and Cost/Income Ratio, maintenance costs and the recovery of utilities at the appropriate rate of recovery for the building. The ability of building income to cover the costs of security, cleaning and landscaping must be taken into account. The level of service must be adjusted to the ability of the tenants to afford it.
- Rent setting must be done in terms of the established rent setting policy. - CRU, Social Housing, middle income opportunities where feasible.
- New BNG, ISSP, UISP (interim and permanent serviced sites linked to incremental housing), GAP and FLISP ownership products should also be linked to viability assessment relative to the National Housing Code for State Funded Housing projects as well as correlated to MIG and Energy funding sources and commitments to ensure their respective viability.

4.3. Guidelines for approval for investigation, acquisition or development of housing stock

- Expenditure on investigating potential new stock is subject to formal approval of Senior
Management and full Council.

- Senior Management will be authorized to commit up to R250 000 (to be reviewed annually and aligned to Council approved Delegations of Authority and SCM and Procurement Guidelines) on feasibility and social audits on investigating of potential new stock.

- New developments are subject to formal submission of a project approval presentation to the Council for approval.

- All project approval presentations have to be made within approved project proposal framework.
- New developments are subject to formal approval by full Council.
- Offers to purchase are subject to formal approval by full Council.
- The financial authorities overseeing the acquisition of property will be authorities formally approved by full Council.
- If at any stage during the project it appears that, the final costs will exceed the approved estimates by more than 5%, the Directorate: I H S will have to seek and obtain the required approval from the TMT and full Council.
- Where a capital project will not commence within the year for which it was approved, a thorough review of costs must be undertaken before it is carried forward in a future year’s budget.

4.4. Framework for the physical development of new or existing stock

4.4.1 Appointment of professional team

- The professional team will be appointed according to appropriate standard agreements prepared by professional associations/institutions.

4.4.2 Design and specifications

- The design & specifications of the development must make a careful balance between economic, technical, social and institutional considerations.
- The design and specifications of the development must conform to the National Building Regulations, SABS Codes of Practice, and those specified by the NHBC.
- Designs to be submitted to and approved by the KM.

4.4.3 Construction/refurbishment

- KM and successful partnering SHI(s) and or developer of BNG opportunities will enter into appropriate standard recognized Building Contract Agreements with contractors.
- No construction or refurbishment will take place until transfer of ownership of land or existing stock to KM has occurred.
• In the case of purchasing a building by collaborating SHI with existing tenants, it must be ensured that the social processes are carefully implemented, that the correct statutory notices are given and that an appropriate period is developed.
• All construction work must conform to National Building Regulations, SABS Codes of Practice, and those specified by the NHBRC.
• Construction or refurbishment may only commence once all applicable KM approvals have been primarily obtained.
• All work to be executed and completed in accordance with the applicable Building Contract & Contract documents.
• All work to be executed in accordance with the Occupational Health and Safety Act.
• The Professional team in accordance with the scope of services agreed upon will carry out regular site meetings and site inspections.
• Regular site inspections will be carried out by the local authority & NHBRC.
• In situ upgrades and refurbishment must be managed at an appropriate pace, which takes into account the social and political dynamics of each building.
• Monthly progress reports to be submitted to the KM by the development manager.
• Monthly project cost reports to be submitted to the Board in respect of social housing and full council in respect of all low income projects currently being implemented by the development manager.
• Deposits, payments & interim payments to be made in accordance with the Procurement Policy, Financial Policy, Professional Agreements, and Building Contract Agreements.
• A completion report on each project must be done within 13 months of the final payment for the development. The completion report must monitor the implementation of the project against the feasibility study approved by the KM.

4.5. Hand-over of the completed buildings/blocks of flats or BNG units per identified project(s) (Ownership and Affordable Rental Flats – Upgrading and New Units)

• All required compliance certificates, completion certificates, guarantees, warranties and occupation certificates have to be obtained prior to tenant occupation.

• Undertake technical inspection of all completed blocks or buildings relative to external appearance of structure as well as internal unit areas to ensure that all compliance requirements are met and unit is ready for occupation.

• Standard hand-over procedures need to be observed; standard documents and forms need to be completed in order to document all relevant information about the unit as well as common areas of the building.

5. Outline of a Top Management Team (TMT) and Council Project Approval Proposal

Prior consideration - Any project proposal would normally have incurred costs and been through a vetting process prior to coming to the Board of a partnering SHI or KM for final approval. KM Management would have obtained Council or PGWC (where required) approved professional costs related to a feasibility study from inception of the project. The TMT would have considered the proposals, and council portfolio committees and full Council (where required) approached for a detailed consideration of the plans and costs.
Draft table of contents TMT and Full Council

- Executive summary
- Location
- Geotechnical constraints
- Design principles
- Number of units and their type
- Town planning conditions
- Development proposal and costs
- Risk assessment including vacant possession, delays in legal processes, etc.
- Market demand and social dynamics
- Contract strategy and professional team
- Black economic empowerment
- Programme
- Feasibility, source and application of funds
- Recommendations
  - Executive summary - On first page: name of project, location, number of units, summary of construction costs, income and expenditure graph, YOI, any special social or other considerations as well as recommendations.
  - Motivation Choice of project explained, including the SHI’s objectives, precinct and urban regeneration issues.
  - Physical description of project - What it is, where it is, what it will become, number of units, locational features and advantages to ensure long term socio-economic integration in the immediate environment, communal, social and commercial space/activities.
• Marketing, target grouping, and social survey including demand and current market rentals in the area, interaction with existing local community, availability of social infrastructure - transport, jobs, schools, crèches, clinics, recreation facilities, etc. Demand for commercial space where applicable.

5.1. Technical issues

• Ownership, outstanding rates, land, town planning, parking, architecture, design criteria, internal specifications and finishes, requirements regarding local authority approvals, special considerations, lifts, meters.

• Construction training, what opportunities are there for skills, literacy and entrepreneurial training? How many people will be trained? What will the budget, programme and management plan for the training be?

• Construction costs in addition to budgeted costs, it is recommended that the project promoter include a comparative table with other similar developments here.

• Management and maintenance costs information required should refer especially to rent, cost/income ratio, vacancy and arrears levels, impact of commercial property where applicable, recovery of water and electricity costs, lifts, contribution to head office costs. Again, a table of costs per unit and per m² comparative with other projects would be useful.

• Funding modelling should outline and indicate how to deal with sources of funds including equity, loans and subsidies and any conditions attached to the funding.

• Programme - A detailed development program needs to be submitted.

• Risk management issues a specific risk management programme is required.

• Recommendations - Specific recommendations related to the amount to be authorized, and delegated contractual authorities should be noted.

• Annexures - The required annexures include the following: Locality map - Pictures of existing land or buildings. Drawings and plans of proposed development Financial feasibility, Construction budget and programme

6. Technical Maintenance Policy – Own Rental Stock and New Developments

Purpose

This policy outlines the applicable procedures and processes that KM will follow in providing necessary categories of maintenance to all its existing and new properties. The responsibility for maintenance lies primarily with the I H S Directorate and for matters beyond its technical competency with other Directorates, e.g. Technical and Community Directorates, which needs to
work closely with the Client Services Department to ensure that KM and the participating SHI’s key stakeholders, its tenants, are satisfied with the quality of the maintenance work done by or on behalf of the SHI or KM, without jeopardizing its financial viability.

Objectives

- The units are maintained in such a way that they retain their initial value.
- The tenant is satisfied with the way in which maintenance has been done.

Overview

This document deals with:

- Maintenance standards
- Maintenance responsibilities of the SHI and of the tenant
- Safety and security
- Maintenance of public areas/facility management
- Planned maintenance
- Unplanned maintenance
- Improvements by tenants
- Reporting
- Outsourcing versus in-house

6.1. Maintenance standards

The long-term sustainability of KM and participating SHI(s) is dependent on the value of its assets and the satisfaction of its tenants. Therefore, this policy strives to balance quality, price and affordability for the tenant. Compromises have to be established that do not disproportionately affect one or the other of these. This principle of value for money will be the key guide in both the technical and service set out below.

6.1.1 Technical standards

- Technical standards cover the units, the buildings and the environment in which they are located, as described in the following list:
  - Drains, gutters and external pipes
  - The roof
  - Foundations, outside walls, outside doors, window sills and window frames
  - Internal walls, floors and ceilings, doors, door frames and skirting boards but not internal painting or decorating
  - Boundary walls and fences if provided by the SHI or developer (the KM or WCDcHS)
  - Basins, sinks, toilets, flushing systems and waste pipes
  - Water pipes
  - Electrical wiring, including sockets and switches, if installed by the
SHI or the developer. The KM or the SHI will not be responsible for maintaining any electrical installations that it has not installed

- Communal parts of blocks of flats, such as corridors, stairways and entrances
- Public green/gardens, grass and landscaping
- Structures or installations for individual or communal use, e.g. post boxes, washing lines, refuse collection centres, playing tools, benches, etc.
- Roads, pathways, etc. Standards will be set for each of the following: By the supplier (in line with guarantee and other certificates), By the SHI or KM for all items not covered by the supplier. The decision on deviating from these standards will always be taken by the Head of the Technical Department.

6.1.2. Service standards

Service standards are defined according to the technical aspects outlined in Section 1.1. The standard of the service delivered is determined by two factors:

- Quality and timeliness of the service delivery Client-orientation of the service delivery
- The services delivered by or on behalf of the KM and participating accredited SHI should meet the following requirements:
  - They are delivered in time – project timelines and scope are met
  - They are delivered in a professional manner
  - They are delivered in a customer-oriented manner

Service standards and a code of conducts will be formulated by periodically reviewed by the KM in alignment to housing legislation, MFMA, NHBRCH, SHRA, etc., requirements, based on the Municipality making gains, traction and increased yields of affordable housing projects and stock within the affordable housing environment.
STRATEGIC FRAMEWORK PLAN – IHS: WORKSHOP: SECTION 80 COMMITTEE
24/07/19
1. Executive Summary

- Need for coherent co ordination and Implementation
- Policies and Procedures – to be guided by Plan
- Presented to TMT (May 2019) and Special Council (12 July 2019)
  (Towards sustainable development programmes)
- Dedicated and capacitated IHS – “right people on the right seats of the bus”
- Ensuring collective Ownership – Sustainable Plan and Housing Programmes
2. Key Functional Areas – New Directorate

1. **Human Settlements – New Developments** - consisting of BNG, FLISP, GAP Housing, PHP, Interim Basic Services (typologies that relate to variety of housing programmes and needs)

2. **Public and Social Housing Rental** – provision and management of Public Rental stock, CRU and Social Housing rental Programmes/Projects/Services

3. **Housing Finance and Project Coordination** – financial modelling and related budget control and execution, Revenue and Credit management and related systems
Continued……

4. **Area or Satellite Offices** – customer relations, consumer education, data capturing, beneficiation processes, admin and project support as first point of entry per the three identified regions with decentralized management capacity that is fully functional and accessible to the community stakeholders or clients

5. Commonly applied and understood policies and procedures

6. Principles of fairness and equity to all stakeholders, partners and clients
3. Key & Major Departure

- All housing defined operations and management of related assets be transferred under the management of the new Directorate.

- This will entail transfer of the operational responsibilities for title deed registrations

- Management of the remaining 137 units located in the council public rental flats to sit under the responsibility of the newly proposed Manager: Public Rental and Social Housing Programmes
Continued………

1x Manager: Public and Social Housing Rental Programmes (i.e. there is an earlier indication that the existing 84 rental units currently located in inner City areas of Knysna as well as 13X rental flats referred to as Teacher Cottages (Khayalethu South), 20 x units in a block located in Tsiba College in Karatara and 20x semi-detached units in Rheenendal which should rather be located under Human Settlements).

• This is in line with the Strategic intent for housing programmes and activities/operations to fall under the new IHS Directorate.
Continued......

• 1x Manager: Housing Finance and Project Coordination (i.e. to perform key tasks like Revenue, debtors, budget control/management processes, financial modelling for new projects, title deed registration, etc.)
• All clerks be redesignated as Human Settlements Officers in order of rank (i.e. Chief Clerks, principal clerks and senior clerks)
• The Senior Administration Officer and Project Coordinator be retained as a dedicated PMU unit
• The current field workers be redesignated as Housing Liaison Officers
• 1x dedicated PA post to the Director: IHS
4. Internal Service Co-ordination

- Essential to depart from the silo mentality and ad hoc support
- Create internal institutional mechanisms – coherent coordination
- Provide necessary capacities across departments (Budgets, resources and systems support)
- Structured use of KM Land and other strategic parcels
- Typology driven approach
Continued……

- All infrastructure requirements, planning approval process attained and streamlined accordingly – project feasibility
- Need for corporate and political leadership support
- Move away from land invasion driven approach – proactive instead of reactive approach
- All households be enumerated and profiled – different needs and preferences
5. Mapping the Way Forward

- Principles of fairness and equity as main driver: confidence and support
- Formulate written Policies and Operational Procedures
- Internal workshopping of the Strategic Plan – across all Directorates
- Consultative and communication – all stakeholders
- Formal launch – stakeholder and general public awareness
Continued.....

- Move away from location based housing provision

- Use of local media networks – build broader base awareness

- Build coherent support and collective ownership – social cohesion & compacts

- Clearly defined roles and responsibilities

- Strong partnerships – development partners (WCDOHS, SHRA, HDA, NHFC, NDHS, Banks, etc)
Continued……

• Present Strategic IHS Plan to council structures and Full Council – Adoption and approval

• Communicate to all internal and external stakeholders – workshops and communication platforms

• Advise stakeholders about new Policies and Procedures

• Train, develop and align staff and operational systems to new guidelines and procedures

• Establish appropriate operational support
Continued……

• Ensure responsive budgets and necessary structured technical support

• Form new social housing strategic partners (SHRA accredited housing institutions) – new bold and creative drive based on densification through optimal use of land and funding commitments

• Launch 3 new decentralized area offices – accessible services and speed of response by well trained and capacitated staff

• Annual review process and alignment to new corporate objectives
MEMORANDUM

TO: MUNICIPAL MANAGER
FROM: INTEGRATED HUMAN SETTLEMENTS DIRECTOR
cc
DATE: 23/06/2019

COLLAB. REF.:
FILE REF.: 17/4/R
REGARDING: 5 – 10 YEAR HIS STRATEGIC PROGRAMME AND PROJECT OUTLINE

1. PURPOSE OF THE REPORT:

To provide the required 5 – 10 year human settlements programme to the MM’ Office as requested.

2. BACKGROUND:

As part of building a common understanding and eventual commitment by council on active and newly planned projects over successive years covering short, medium and long terms respectively, it has become necessary that we provide, as a Directorate, a planned roll out of our programmes and projects.

3. MOTIVATION:

Given the high demand for housing and a growing database of 9 588 households which increases by 3% per annum, high incidence of illegal occupations which has
resulted in the municipality having a more reactive approach to its affordable housing programme, this has called for a more enhanced strategic value proposition by the KM. This will include building an enabling environment to enhance the capacities of our small contractors to provide the relevant support in realizing the targeted quantities of the typology products/units. To this end and fueled by the need to align itself to its Corporate IDP and newly conceptualized Strategic Human Settlements Plan, it has become necessary that the Directorate should submit its 5 – 10 years programme and project outline as follows:

3.1. Towards A 5 Year Programme and Projects Outline:

In terms of best practice and a normal efficient and effective operational context, the determination of applicable staff resources and systems are usually informed by the municipality’s own integrated human settlements strategic plan and related policies and operational procedures. These should normally cover a fully established Directorate consisting of the following key management divisions or sub-directorates as benchmarked by local and international best practice:

1. Human Settlements – New Developments - consisting of BNG, FLISP, GAP Housing, PHP, Interim Basic Services (typologies that relate to variety of housing programmes and needs);

2. Public and Social Housing Rental – provision And management of Public Rental stock, CRU
3. **Housing Finance and Project Coordination** – financial modelling and related budget control and execution, Revenue and Credit management and related systems;

4. **Area or Satellite Offices** – customer relations, consumer education, data capturing, beneficiation processes, admin and project support as first point of entry per the three identified regions with decentralized management capacity that is fully functional and accessible to the community stakeholders or clients;

5. **Council approval of the Strategic Human Settlements Plan, New Policies and Operational Procedures Manual** to enhance capacity and efficiencies be approved and implemented by the KM – 2019/20 – 2020/21;

6. Align delivery to internal corporate performance timelines and targets which are reviewed quarterly relative to the IDP process – 2019/20 ongoing.

7. **Review rental charge model by implementing new Economic Cost Recovery (ECR) model** relative to the KM current housing assets by managing these for the
affordable housing target as defined in the National Housing Code and Social Housing Act – 2020/21

8. The successful Roll out of the **KM’ planned and active projects as outlined in the separate schedule**;

9. Proceed with new projects on the basis of **simultaneous servicing and top structure development per each tender where possible – 2019/20 – 2024/25**;

10. **All business plans, scoping and cash flow analysis per aforementioned** projects be redefined and aligned accordingly to enhance project expenditure per committed funds towards completion as per financial year timelines – **2019/20**;

11. **Linked to the new Strategic Human Settlements Plan ensure establishment of an internal coordination structure involving Human Settlements and key Directorates like TS, CFO, CS, Town Planning, etc. – 2019/20 ongoing**;

12. **Conduct buildings/sites audits as well as strategic targeting of privately owned sites and properties** which have potential consolidation and greenfield projects – **2019/20 – ongoing**;
13. Formulate draft **social housing partnership framework** with prior Council approval – **2019/20**;

14. **Undertake RFP for social housing partners** to enhance successful implementation of affordable rental infill developments to ensure long term integration in RZs and inner CBD areas – **2021/22**;

15. **New planning project applications** to commence in anticipation of budget adjustment processes of the WCDOHS as well as KM budget alignment processes - **2019/20, 2020/21, 2021/22, 2022/23, 2023/24, 2024/25**;

16. **A new target of 1 500 per annum housing opportunities based on a typology driven model consisting of BNG, ISSP, Basic Services, Contractor built PHP, Incremental housing, CRU and social housing rental opportunities** – **2020/21 – 2024/25**;

17. **All backyard communities and beneficiaries be enumerated and profiled with system and resource support from the WCDOHS – 2019/20 and 2020/21**;

18. **The current waiting list database** of 9 588 which grows by 3% per annum be evaluated and updated to ensure its relevance and responsiveness – **2019/20 – 2020/21**;
19. All core housing functions and operations to revert to the Integrated Human Settlements Directorate – 2019/20 – 2022/23;

20. All related governance, audit, budget execution and controls, proper SCM and procurement alignment be ensured and adhered to at all times; and

21. A targeted and focused communication and consultative process involving internal and external stakeholders to build common understanding and collective ownership of the new Plan and Programmes by a reviewed IHS be undertaken – 2019/20 – 2022/23

3.2. 10 Year Programme/Project Outline

Once the necessary confidence has been attained as well as building on the relative periodical evaluation intervals, risks and weaknesses followed by successes and continuous best practice and innovation/creativity/bold decision making, etc., the KM to use these processes and indicators by enhancing its programmes and projects through the following measurements and commitments:

1, Review the last 5 year performance relative to IHS programmes and projects, proceed to continue with newly determined projects – 2025/26
2. Undertake financial modelling and project requirements – 2025/26

3. Undertake strategic land acquisition allocation, and better leveraging of the use of State Funding resources – 2025/26

4. Review annual project targets and yields by looking at cumulative demand and supply requirements – 2025/26

5. Delivery per annum of 2 500 covering the afore-mentioned defined housing typologies to cater for varied market needs relative to the low income and Gap housing targets – 2025 – 2030

NB: The above programme to also be subjected to periodical reviews per annum involving all stakeholders where-in learnership, identification of key gaps and weaknesses as well as strengths and comparative best practice be encouraged to ensure that the delivery momentum and confidence is not lost. This to include analysis of bulk infrastructure carrying capacities in liaison with the Department of Infrastructure and Planning & Development

4. FINANCIAL OR LEGAL IMPLICATIONS:
• These will be quantified per capital and operating budget commitments relative to State funding investments by the Municipalities, WCDOHS, government agencies for social housing projects like the SHRA, the HDA, NHFC, etc.

• Need for strict adherence to the MFMA, MSMA, National Housing Code, the Social Housing Act, the National Rental Housing Act, NHBRC, etc.

5. RECOMMENDATION:

• The submission of the 5 – 10 year programme and project outline commitments submitted by the IHS Directorate be considered and approved

6. APPROVALS:

......................................................
SIGNATURE OF THE ORIGINATOR
7.2

IHS02/09/2020 SOCIAL HOUSING PROGRAMME

REPORT FROM THE DIRECTOR INTEGRATED HUMAN SETTLEMENTS

PURPOSE OF THE REPORT

This report serves to introduce and seek authorisation of a draft Knysna Municipality’ new Social Housing pilot initiative to be pursued upon approval by Council in the Milkwood public rental flats currently owned by the Municipality located in erf 1343, Knysna. It further seeks consideration of a proposal to target Curley Court Flats for possible upgrading and new units through use of related CRU State Funding Sources.

PREVIOUS RESOLUTIONS

In line with the earlier approved Strategic IHS Plan of the Knysna Municipality’ (KM) Integrated Human Settlements Strategic Plan during 2019, it was formally required that social housing programme rollout based on partnership arrangements be presented before the IHS Section 80 Committee and Council structures for consideration and approval.

BACKGROUND

Knysna as an agent of the WC DoHS has resolved to pursue a new Plan and Programme policy arrangements that is inclined towards a typology housing approach characterised by medium to high density models that allows for optimal use of its own land parcels/properties towards realisation of the following affordable housing products:

a) In-situ Upgrade  
b) BNG  
c) Extended PHP  
d) GAP Housing  
e) FLISP Housing  
f) Social Housing Programme/Projects  
g) Community Residential Units (CRU) or public rental products

A separate draft IHS Policy report which guides the development and management of the above typologies has been prepared for consideration and approval by the Section 80 Committee and final approval by Council.

1. Significance of the Municipal Social Housing Policy (MSHP)

The KM has already formulated a Strategic Plan and draft I H S Policy document that has been tabled before the Committee during its July 2020 cycle of meetings.

Generally municipalities that have a long term plan to be involved in social housing delivery require a firm SH Policy as the beginning of the planning process for this programme. To this end the KM has developed a strategic plan already that incorporates such intent in the form of understanding the demand, spatial planning requirements and the impact on future budgets (business plan and pipeline process which already applies for its housing typologies).
The SH delivery programme and related plans have to be aligned with other municipal service sectors such as bulk infrastructure, basic services, commercial and community facilities/social development programmes, transport, etc. That is why it is important that there be a strategic plan as already approved within the KM that talks to these key considerations and elements.

The housing sector and especially social housing and other housing products like Gap, FLISP and BNG housing, are now receiving a lot of focus and attention in endeavouring to ensure mobility within the affordable housing value chain and related supply. To this end the National Department of Human Settlements has developed specific policies and programme instruments as highlighted in the Social Housing Act to ensure that affordable rental housing in well located areas becomes a reality.

The KM has therefore committed itself to this through the already approved key dimensions and programmes:

- An approved HIS Strategic Plan – 2019
- Restructuring Zones (RZs) – 2010
- IDP with the beginnings of a Housing Chapter which requires further enhancements
- Draft Policy Guidelines – 2020 (under consideration)
- Towards a typology driven housing model in which SH is a component part to ignite strategic use of its land and properties – medium to high density products developed and managed by partnering social housing institutions that meet the KM’ set criteria

Through the above the Municipality has committed itself to plan and act given the levels of demand and socio-economic needs from its communities.

The main focus of this submission given the above introductory elements, relates therefore to the proposal to pilot a social housing project at the Milk Wood Flats located in erf 1343, Knysna as well as consideration of a CRU housing upgrade project in Curly Court.

**DISCUSSION**

**a) Social Housing Proposal – MILKWOOD FLATS**

The Social Housing Act read together with National Housing Code, the MFMA and Asset Transfer Regulations, collectively encourage public authorities including Municipalities to create an enabling environment through use of public land and properties. The main objective being to ensure sustainable development and realisation of affordable rental housing opportunities in well located areas for ease of long term socio-economic integration. The rationale behind this affordable rental housing model by accredited social housing institutions, is based mainly on the following key considerations:

- Targeting of a specific housing income group within the affordable sphere;
- Determination of Restructuring Zones (RZs) as defined and gazetted formally by the National Department of Human Settlements working together with the Social Housing Regulatory Authority (SHRA), provincial and local government authorities participation in social housing programmes. KM has already had specific RZs determined and gazetted for future development of affordable rental opportunities based on the medium to high density model;
- To enhance the viability of the project and related scale and quantities, KM will avail infill land within the current complex for additional social rental units;
• Provision of affordable Social Housing Rental tenure opportunities as a form of choice for those earning a combined monthly household income sitting between R1 500 - R4 500 (defined as the Primary rental market or “deep down reach) and those earning R4 500 – R15 000 (Secondary social housing market);
• Establishment of coherent partnership arrangements between the KM and SHRA accredited Social Housing Institutions viable enough together with a track record to develop and manage identified social housing projects;
• The KM will together with the WC DoHS consider and support where viable, relevant institutional subsidy and restructuring grant requirements as well as targeted municipal or public land parcels and properties for the purpose of enhancing the viability of proposed social housing projects in well located areas within the previously determined RZs;
• The KM will in terms of the Social Housing Act, in combination with the provisions of the National Housing Code, Asset Transfer Regulations as well as the Municipal Finance Management Authorities (MFMA) give consideration to the related conditions that allow for use of public assets to realise social equity for the benefit of low income households;
• The legislative and policy context / provisions allow for consideration of long term lease arrangement of up to 30 years or longer for use of such public assets on the basis of a formal contractual arrangement that outlines respective obligations of both the Municipality and participating accredited social housing institutions;
• A separate formal contract that tracks, monitors and ensure performance and adherence to the conditions and obligations of each party to the lease arrangement will be formally concluded separately with the chosen SHI. This will allow for structured use of both State Institutional Grants/Subsidies, Restructuring Grants and any additional grant support emanating from public authorities;
• The KM to also consider the option of availing land to enhance project viability as an additional equity of the KM on the basis of 10% of its market value;
• A social package as has been the practice in other participating local authorities to incentivise the required mobility from poverty zones and long term operational sustainability of the identified projects which allow the KM to consider zero rating municipal charges – rates and utilities for a defined period of say 5 years and thereafter levy 50% of the charges to sitting tenants which ever option it may consider. This is an acceptable standard concession in some municipalities to make such social housing initiatives successful by being responsive to affordability challenges;
• Provision of technical planning and engineering support to the participating housing institutions to enhance project viability;
• Participating successful institutions to be allowed to use their own respective internal equity and raising of bank finance to enhance the viability of capital and operating requirements of the institution towards long term development and management of each project as a business unit relative to the conditions and requirements of the SHRA and those of the KM;
• The successful SHI will independently manage the development and management of completed developments independently of the KM as outlined in the provisions of the Social Housing Act and SHRA Regulatory Framework;
• Any transgression or non adherence to any of the conditions of the contract by both parties will result consequentially with the review of the legal contract, lease arrangements and development agreement with the prior guidance and involvement of the SHRA; and
• Above processes to be undertaken in recognition and full compliance of the KM’ internal Supply Chain Management policy guidelines, governance and protocols as prescribed by KM’ Delegations of Authority and provisions of the MFMA.
The above programme when successfully implemented will enhance other key similar SH Programmes like the planned HeidaValley Precinct which will also have similar partnership arrangements.

1.1. **What Must KM Do To Enhance the above SH Support Programme?**

- Structure its **internal capacity** to manage its SH programme;
- Development of **SH strategy, action plan, policy** for municipality and **linkage** to Spatial Planning, IDP, etc.;
- Ensure that their **other policies support** SH delivery where necessary;
- Develop and manage a **land pipeline** for release for social housing;
- Structure any necessary ‘incentives’ to ensure sustainable SH;
- Setting up and managing **partnership with delivery agents**;
- System for **monitoring of the use and impact** of SH investment;
- The KM to ensure dedicated and designated resource and specific SH with authority to manage and operational coordination of its SH programme; and
- There must also be a structured linkage with all other internal departments that must participate in the programme covering all SH Project operational, resources and technical requirements.

In summary the following strategic requirements as already advocated for in the earlier consideration and approval of the KM Strategic Plan as well as the Draft Policy instruments outlined in the other report submitted to the Council should prevail as follows:

1.1.1. **Strategy**

- Should cover an initial period of 3 – 5 years and thereafter be reviewed
- To be over an initial Short term period, but linked to demand, potential supply and likely resources.
- Link to other key municipal planning instruments, SDP, IDP, LASDF, RZs, MTE Budget

1.1.2. **Formulate and implement a structured Action Plan**

- 1 year
- Linked to real resources
- Linked to developing internal capacity as well as external delivery
- With senior official and political support

1.1.3. **A responsive SH Policy**

- Municipal SH policy that supports and guided by programme strategy and Action Plan and deals with required mechanisms
- Alignment with the relevant policies e.g. infrastructure, municipal charges, asset release

To further enhance the above conditions and sustainability of the initiative, it is proposed that the KM consider a formal proposal call guided by its SCM processes to all interested social housing institutions or development parties within the South African development context which have a proven record in developing and managing similar social housing projects. There will also be a viability test relative to the following key requirements:
• its vision ad mission statements,
• corporate status and governance processes,
• memorandum of association
• company registration schedule / number
• Board and management composition - organizational structure
• annual financial statements – last three year periods
• Tax Clearance certificates
  readiness to commit to work at risk – feasibility/viability assessments
• whether currently owns or manages similar rental programmes
• accreditation status with the SHRA
• proposed financial modelling – development and management
• submission and determination of proposal for development and management process
  – new KM social housing projects (pre feasibility and feasibility tests)
• current accreditation by the SHRA upon being successful to enter into a formal partnership with the KM that meet the requirements of the SHRA.

1.2. Proposed Incentives for Consideration

As part of efforts to create an enabling and supportive environment for sustainability of the SH Programme the following municipal incentives are tabled for consideration:
### INCENTIVES

<table>
<thead>
<tr>
<th>Description</th>
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<tbody>
<tr>
<td><strong>Urban Development Zones (UDZs)</strong></td>
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<tr>
<td>National tax reduction in defined urban areas for the development including for rental accommodation.</td>
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<td><strong>Urban Sector Development Grant (USDG)</strong></td>
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<tr>
<td>A National capital grant for Metros and larger Cities to purchase land finance infrastructure development to improve housing possibilities for ‘poor’ within more socially integrated and denser cities.</td>
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<tr>
<td><strong>Municipal Land, Land Packaging</strong></td>
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<td>The release of municipal land at below market value to achieve the so developmental objectives of the City.</td>
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<td><strong>Municipal development Charges</strong></td>
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<td>Waiving or reduction of municipal development charges to reduce capital costs.</td>
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<tr>
<td><strong>Municipal Planning and Building Fees</strong></td>
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<tr>
<td>Waiving or reduction of municipal development charges to reduce capital costs.</td>
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<td><strong>Planning and building plan application fees</strong></td>
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<td>Waiving or reduction of municipal planning and building plan scrutiny charges to reduce capital costs.</td>
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<tr>
<td><strong>Rates</strong></td>
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<tr>
<td>Rates exemptions or rebates to reduce the operational cost of units and with it the rental levels.</td>
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<tr>
<td><strong>Appropriate Application of Universal Indigency</strong></td>
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<tr>
<td>The application of universal indigency benefits on basis of individual unit for those living in affordable rental stock to assist in reducing of municipal services and therefore reducing rentals.</td>
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<tr>
<td><strong>Appropriate allocation of tariff groups for formal blocks with Affordable Rentals</strong></td>
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<tr>
<td>Application of base residential tariffs for municipal services and utilities ensure the minimum cost of these to reduce costs and therefore rental</td>
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### PLANNING

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<tr>
<td><strong>Density Incentives</strong></td>
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<tr>
<td>Increase the density permitted to encourage developers to achieve better returns on their land investment.</td>
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<tr>
<td><strong>Parking Ratios</strong></td>
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<tr>
<td>Reduce the parking ratios to 0.5 thus increasing the land available for development for housing units and increasing returns.</td>
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<tr>
<td><strong>Quicker processing of planning and building approvals.</strong></td>
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<td>Streamlining the time taken to process so reducing the uncertainty and development holding costs.</td>
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</tbody>
</table>
1.3 Proposed Municipal SH Support Programme - SHRA and NASHO

In recognition of the KM’ Strategic Plan and Restructuring Zones which were confirmed to its government partners: WC DoHS, Social Housing Regulatory Authority (SHRA), National Association of Social Housing Organizations (NASHO), has seen the KM receiving a formal request on 7th July 2020 being invited to participate in the above programme. The intent of the SHRA’ incubation and capacitation programme revolves around enhancing the capacity of six (6) selected Municipalities and link them to above programme. This is envisaged to be pivotal in enhancing their respective internal technical capacity to successfully rollout their respective social housing programmes/projects. The SHRA together with its programme partner, NASHO will fund the incubation programme of the six selected Municipalities through this support programme that will be launched by November 2020.

Here-under are the specific selection criteria they will consider for municipal applications, namely:

1. Whether the applicant has a Municipal Social Housing Plan and Policies
2. Determined and confirmed Restructuring Zones (RZs)
3. Once selected there be municipal willingness to conclude a MoU with the SHRA
4. The interested Municipality must demonstrate ability and experience in managing its current RZs and linkage of same to substantial land assets and building pipeline of at least 700 units in multiple year programme
5. Demonstrate evidence of medium to long term provision and readiness to implement at least 1 200 SH opportunities
6. Reflect Demand Surveys previous and currently being undertaken and documented to measure extent of demand and need
7. Need to demonstrate commitment to internal capacity and transversal team of resources from contributing departments within the municipality

The relevant SHRA/NASHO and the WC DoHS documents have been appended here-in for consideration. They reflect in particular the selection processes and timelines leading to commencement of the programme for the six selected Municipalities with effect from 7 November 2020. As indicated earlier there will be no cost commitments by the Municipality relative to the participation of its nominated official(s) limited to two staff members who are part of its internal social housing unit.

Upon completion it is intended to ensure that the municipality will have adequate relevant technical skills to deal with the development and management of its social housing programme and projects. It would be to the KM’ benefit to formally apply to be part of the MSHSP therefore.

2. Community Residential Units (CRU) – Curley Court

The second proposal above public rental complex is in a well located area but has been subjected to years of neglect relative to maintenance and upgrading. The KM is not in a position financially to sustain the management and periodical upgrading of this facility which houses mostly elderly tenants. The revenue received is extremely low and has been historically kept at such a base due to affordability challenges.

However it has become necessary for the KM to look at long term sustainability to minimise safety and health risk of council assets which do not resonate to the needs of the hard core poor as is the case in this facility. To this end the National Housing Code and State funding model allows for development and periodocal upgrading of CRU units through ring fenced State Funding sources which are under the control of the WC DoHS. To this end similar
projects have already been upgraded and developed suing this State funding mechanism
particulary in the Cape Metropolitan Area in Langa, Nyanga, etc. This has also been the case
in the Ekurhululeni and JHB Metropolitan areas.

An ideal opportunity for the KM to respond to this prevails through a series of viability tests
that can be done by interested external professional teams and project managers by being
approached to work at risk and develop specific concept development proposals. These will
in turn be critical in formulating and developing a business case to be submitted to the WC
DoHS for funding consideration.

FINANCIAL IMPLICATIONS

All funding considerations are to be guided and sourced through the provisions of the National
Housing Code, Social Housing Act, MFMA, Rental Housing Act. If the Municipalit support the
proposal to either lease or sell the targeted properties at a 10% nominal fee of the market
value of the land, this will be regarded as part of its internal equity to the successful institutions
to make this possible in line with the provisions of the Social Housing Act, MFMA and Asset
Transfer Regulations.

The participating successful institution(s) will also be expected to derive private finance from
commercial banks as well as where necessary provide a percentage of its own internal equity.
The opening of the Municipal Rental Programme will have a posetive effect on the planned
sustainable use of the balance of the Municipal Flats. These will be subjected to the same
model if feasible.

RELEVANT LEGISLATION

The following legislative Acts of Parliament prescribe to the social housing programme,
release of public properties and use of State Funding to realise devilmint and management
objectives for the social housing programme:

- National Housing Code
- Rental Housing Act
- Social Housing Act
- MFMA
- Asset Transfer Register

COMMENTS FROM THE MUNICIPAL MANAGER
Report is noted.

COMMENTS FROM CORPORATE SERVICES
None

COMMENTS FROM FINANCIAL SERVICES
Noted

COMMENTS FROM TECHNICAL SERVICES
Noted

COMMENTS FROM COMMUNITY SERVICES
None
COMMENTS FROM PLANNING AND DEVELOPMENT
Report Noted

COMMENTS FROM LEGAL SERVICES
None

RECOMMENDATION OF THE ACTING MUNICIPAL MANAGER

[a] That the launch of the Knysna Municipality’ initial social housing and CRU pilot projects, be approved;

[b] That approval be given by Council for the call for formal proposals in terms of the internal SCM guidelines to interested accredited Social Housing institutions to provide proposal on how they will develop the identified Council Milkwood Municipal flats to upgrade and provide additional social housing opportunities;

[c] That further approval be given for the Municipality to formally apply for CRU State Funding consideration for upgrading of Curley Court to enhance its long term management viability and sustainability as a Council rental asset for low income households;

[d] That the proposed criteria for such developments be the determinant factor to evaluate the social housing proposals; and

[e] That approval be granted to Knysna Municipality to respond to the invitation by the SHRA to formally apply for its fully funded incubation programme to enhance the six (6) chosen Municipalities” internal SH capacity over 3 years.

APPENDIX / ADDENDUM

1. SOCIAL HOUSING Annexures 1
2. SOCIAL HOUSING Annexures 2
3. SOCIAL HOUSING Annexures 3
4. SOCIAL HOUSING ANNEXURE 4

File Number: 9/1/2/15
Execution: Manager Integrated Human Settlements
<table>
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<td>Bachelor unit - Net floor area/unit</td>
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**GENERAL**

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<th>Bidder 1</th>
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<td>Bidder 1</td>
<td>Bidder 2</td>
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**EVALUATION SUMMARY - SOCIAL HOUSING**

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<tr>
<th>DATE</th>
<th>PROJECT/SITE NAME</th>
<th>CITY</th>
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<tr>
<td>03 August 2018</td>
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**SH EVALUATION MATRIX**
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<tr>
<th>Description</th>
<th>Total costs excl. VAT/unit</th>
<th>Total costs incl. VAT/unit</th>
<th>CTPP Costs &amp; RATES per unit and per M2</th>
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<tr>
<td>Finance costs</td>
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<td>Total Identified Capitalised costs:</td>
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<tr>
<td>Marketing and leasing</td>
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<tr>
<td>Infrastructure</td>
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<tr>
<td>Intermunicipal Property rates and taxes</td>
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<td>Other Intermunicipal costs:</td>
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<tr>
<td>Total professional fees and municipal fees and charges:</td>
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<td>City plan approval fees and charges</td>
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<td>Development management fee (and social facilitation, if applicable) (%)</td>
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<td>Construction-related professional fees (%)</td>
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<td>Professional fees and municipal fees and charges:</td>
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<td>Total escalated construction costs.birth county</td>
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<td>Escalation (%)</td>
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<td>Total infrastructure costs:</td>
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<td>Internal works, servicing, etc.</td>
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<tr>
<td>External works, servicing, etc.</td>
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<td>Escalation and site services, specialist installation, contingencies, escalation</td>
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<td>Construction costs incl. demolition, top structure, external works</td>
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<td>Total land costs:</td>
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<td>Total OPEX per unit per month</td>
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<td>Loan Term Capital Reserve contribution</td>
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<td>Direct Property Management costs (monthly)/unit (incl. capital reserve)</td>
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**OPERATIONAL COST (OPEX) (FIRST YEAR ONLY)**

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<td>Total construction costs excluding land and VAT/unit</td>
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<td>Total internal townships infrastructure costs excluding VAT/unit</td>
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<td>Fund Sources</td>
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<td>Debt (mortgage bond)</td>
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<td>Net Operating Income</td>
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<td>NOI (annual)</td>
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<td>NOI after mortgage payment</td>
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<td>NOI after financing</td>
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<td>(Opex/Revenue)</td>
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<td>Annual escalation (%)</td>
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<td>Debt service cover ratio (minimum)</td>
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<td>Yield (initial ROI)</td>
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<td>post Grant &amp; long term Financed Reserve</td>
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<td>Rentable (annual)</td>
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<td>Other Income</td>
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<td>Net Rental</td>
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<td>Overall income (annual)</td>
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<td>Income band Rs3001 - Rs5000 per month</td>
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<td>Income band Rs5001 - Rs7000 per month</td>
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<td>Income band Rs7001 - Rs11000 per month</td>
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<td>Income band Rs11001 - Rs15500 per month</td>
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<td>Secondary market</td>
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<td>Income band Rs3001 - Rs5500 per month</td>
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<td>Income band Rs8501 - Rs14500 per month</td>
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Dear Recipient

INVITE TO SUBMIT APPLICATION FOR SHRA’S ‘MUNICIPAL SOCIAL HOUSING PROGRAMME SUPPORT PROJECT’

The SHRA is establishing a Municipal Social Housing Programme Support project for municipalities that have designated RZs that are under management. The project is intended to provide support to the municipalities to assist them with structuring a comprehensive social housing programme, that has a responsive and integrated strategy. That is built on a well organised land pipeline management system that provides well located land development opportunities to delivery agents that have signed smart partnership agreements with the municipality to develop project and provide the management service.

This is an organisational change support initiative by the SHRA to support the chosen municipalities with restructuring and implementation of process and procedures to the point of Municipalities’ concluding Project Agreements with their respective delivery partners. The SHRA has contracted NASHO to act as its agent to manage this project.

We are now wanting to select 6 Municipalities comprising of all different categories of municipalities i.e. metro’s and municipalities with leader towns and others that have designated RZs to join the programme in Year 1. After a preliminary assessment with the various PSC’s your Municipality is invited to attend a compulsory online project briefing session if you think your municipality would be interested in applying to this project. An outline of the project and the criteria for choosing participants is attached. The application forms will only be issued to those municipalities that attend the mandatory briefing session. This briefing will provide an opportunity for you to hear more information about the project and to ask any questions of clarity before deciding whether to apply.

This Compulsory Zoom Briefing will take place as follows:
Date: 9 July 2020
Time: 10:00am to 12:30pm
Hosting will be via online session- (see full details on the next page)

You must register your interest to participate in the briefing session on the response sheet provided below with your contact details where we can send you a link to the ZOOM meeting.

We hope to interact with you at the forthcoming online meeting so please complete the attached response form.

Your Sincerely,

Dudu Phoswa
SHRA
Attached: Project Information and Selection Criteria.
SHRA ‘MUNICIPAL SOCIAL HOUSING SUPPORT PROJECT’ BRIEFING

NB. If you want or think you might want to apply, then you MUST attend this briefing.

DATE: 9 July 2020

TIME: 10:00am to 12:30pm

WHERE:
It is a virtual session run via ZOOM. You can participate from your own computer space via the Microsoft Teams invite link sent to all who confirm their participation.

WHO:
The managers or designated project officers responsible for managing and giving direction to your local social housing programme. A maximum of two officials from your municipality can join the Microsoft Teams session.

PURPOSE:
- To brief the Municipalities that are invited to potentially participate in this project to understand
  - what the project is about,
  - how it will work,
  - what is required of the chosen Municipality?
  - what criteria is used to make the final choice of the first 6 Municipalities
  - how your municipality can apply

- To permit the Municipalities invited to obtain any clarity they need about the project

PROGRAMME:

<table>
<thead>
<tr>
<th>Time</th>
<th>Activity</th>
<th>Presenter</th>
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<tbody>
<tr>
<td>10.00 – 10.15</td>
<td>Welcome and Introductions</td>
<td>SHRA</td>
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<tr>
<td>10.15 – 10.45</td>
<td>Purpose of the Project</td>
<td>SHRA</td>
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<tr>
<td>10.45 – 11.30</td>
<td>How will the project run and over what period What is the content and resources in the project</td>
<td>NASHO</td>
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<tr>
<td>11.30 – 12.00</td>
<td>How will it benefit your Municipality and what will you contribute</td>
<td>NASHO</td>
</tr>
<tr>
<td>12.00 – 12.30</td>
<td>Criteria for choosing first 6 participants</td>
<td>SHRA</td>
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<tr>
<td>12.30 – 12.50</td>
<td>How and by when to apply.</td>
<td>SHRA</td>
</tr>
<tr>
<td>12.50 – 13.00</td>
<td>Closure</td>
<td>SHRA</td>
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SHRA ‘MUNICIPAL SOCIAL HOUSING SUPPORT PROJECT’ BRIEFING

RESPONSE FORM

1. IDENTIFYING INFO
   Name of Municipality:
   Type of Municipality:

   Name of Contact person:
   Contact No:
   Contact e-mail Address:

2. ATTENDENCE
   Please tick which is applicable
   This Municipality will attend the briefing session. ☐
   This Municipality is not interested and will therefore not attend the briefing session. ☐

   If attending please complete in table below details of who is attending

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<tr>
<th>FIRST NAME</th>
<th>SURNAME</th>
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3. EMAIL ADDRESS TO SEND THE ONLINE MEETING LINK
   What e-mail addresses do you want the Zoom link sent?

   |            |
   |            |
   |            |

Please return the completed response form to Dudu Phoswa (dudup@shra.org.za) by no later than 3 July 2020.
SHRA ‘MUNICIPAL SOCIAL HOUSING SUPPORT PROJECT’ BRIEFING
RESPONSE FORM

1. IDENTIFYING INFO
   Name of Municipality:
   Type of Municipality:

   Name of Contact person:

   Contact No:

   Contact e-mail Address:

2. ATTENDENCE
   Please tick which is applicable

   This Municipality will attend the briefing session. 

   This Municipality is not interested and will therefore not attend the briefing session.

   If attending please complete in table below details of who is attending

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Please return the completed response form to Dudu Phoswa (dudup@shra.org.za) by no later than 3 July 2020.
REPORT FROM THE DIRECTOR INTEGRATED HUMAN SETTLEMENTS

PURPOSE OF THE REPORT

This item is placed before the Committee and Council to consider specific risk items related to the current housing programmes being implemented in the Knysna Municipality. These risks and challenges have potential to derail the programme as well as specific projects and require urgent Council intervention to mitigate against such risk instances.

PREVIOUS RESOLUTIONS

None at this stage.

BACKGROUND

KM as an agent of the WC DoHS has received annual budget commitments from the WC DoHS to implement multi-year housing projects on the basis of Business Plan motivations and applications for related funding from KM. However there remains an inherent history of socio-political challenges, management capacity and poor governance in the last three years that has combined to have a negative effect on proper controls and effective management of specific projects.

Despite there being notable improvements in terms of the beginnings to properly empower and capacitate the department as well as increased efficiencies in the ability of the internal Human Settlements Department to implement proper claims procedures per project, improved relationships with various wards and its communities and 98% expenditure of last 2019/20 FY’ capital budget commitment of R69m, there remains related risks and challenges outlined in the attached report that outlines serious risks and challenges that require immediate interventions and resolution.

DISCUSSION

The enclosed item talks to the respective projects currently being implemented in the 2020/21 FY, by rendering related status on progress, challenges and risks as well as proposed interventions.

FINANCIAL IMPLICATIONS

Potential loss or diversion of committed WC DoHS funds linked to the currently committed budget of R56m for the 2020/21 FY if proposed interventions are not considered and implemented.

RELEVANT LEGISLATION

The following Legislation prescribe to the situation, namely:
• National Housing Code
• MFMA

COMMENTS FROM THE MUNICIPAL MANAGER
The report is noted.

COMMENTS FROM CORPORATE SERVICES
Noted

COMMENTS FROM FINANCIAL SERVICES
Noted

COMMENTS FROM TECHNICAL SERVICES
Noted

COMMENTS FROM COMMUNITY SERVICES
None

COMMENTS FROM PLANNING AND DEVELOPMENT
Report Submission Noted.

COMMENTS FROM LEGAL SERVICES
None

RECOMMENDATION OF THE ACTING MUNICIPAL MANAGER

[a] That the proposed interventions to mitigate against the identified risks and challenges, be noted and supported;

[b] That the proposed interventions per each respective project be respectively approved;

[c] That these issues be the subject of a determined Risk Management protocol and processes as outlined and guided by the KM’ internal strategic guidelines; and

[d] That the consideration of the draft IHS Policy and placement process for the Directorate be expedited as it will be pivotal in limiting further consequential risks whilst containing the current risks identified in this report

APPENDIX / ADDENDUM

1. ANNEXURE 1 ITEM - CURRENT HOUSING RISKS CHALLENGES AND PROPOSED INTERVENTIONS JUNE 2020 (002)

File Number: 9/1/2/15
Execution: Manager Integrated Human Settlements
ANNEXURE 1

To: Acting Municipal Manager  From: Director: Integrated Human Settlements
Date: 2020/08/31

Collab. Ref:  File Ref:

CURRENT STATUS, RISKS AND CHALLENGES – KM HOUSING PROJECTS/PROGRAMME: 2020/21 FY

Purpose:

1. Executive Summary

This report serves to give a high level brief on the status and risk related issues pertaining to the KM Housing Programme/Projects. These multiyear low-income housing projects have been funded in terms of State Capital Subsidy source over the last 15-year period including the 2019/2021 FYs. However, there are significant risks, which have stalled related site progress in some of the projects, which requires further TMT and Council consideration.

As has been recorded there have been positive indications commencing from the 2019/20 FY despite the historical challenges that were experienced between 2016 – 2018/19 FYs. Significantly, this period saw lack of appropriate capacity within the housing directorate, poor governance controls and ineffective project management processes, serious socio – political tensions and street riots and vandalism, etc., due to these patent institutional capacity problems and challenges. These resulted in lack of confidence in the ability of the KM to deliver on its housing mandate.

There was also irregular expenditure amounting to R33m linked to the 2016 – 2018/19 FY, which has been flagged with the Council and its MPAC structure earlier this year. This matter is the subjected of a required forensic investigation and consequent management interventions as required in terms of the MFMA and internal council processes.

Here-under is a synopsis or summary status of each project, which highlights the respective current progress, related risks/challenges and proposed interventions to mitigate such consequential risk issues.
2. Vision 2002 (459 units):

   a. 131 units have been planned for 2019/20 financial year;
   b. Municipal Contract with emerging contractors (EPHP) expired in May 2019 whilst contractors were busy with construction and the last payment was in October having issued orders.
   c. The municipality then embarked on a new supply chain Management process for the appointment of a new panel of Contractors which was not finalized as the previous Panel of Contractors embarked on a Breach of Contract Claim specifying that they were appointed for 459 units which they to date have not completed due to a fault which was not theirs.
   d. This project is now at a standstill awaiting resolution of the legal challenge with the following deliverables:
      i. **Dam se Bos**: - 65 residential units underway at different phases;
      ii. **Concordia East, Bongani and Kannonkop**: - 15 top structures underway; and
      iii. **Concordia West**: - 49 units completed.

3. Hlalani (165):

   a. 38 units completed;
   b. 6 slabs casted, 9 underway.
   c. The 12 units under construction from 2018/19 financial year; however, completion of these rely on a way forward regarding cost of delivery of the first floor slab.
   d. Negatively affected also by Tender Pricing returns after three failed contractors tender, non-compliance, and lack of meeting functionary requirements of Tender application.
   e. That the specific 12 duplex units project which has been delayed for more than 2 years, be extended to any of the identified major contractors operating in the immediate area as per the provisions of the GCC (see appended advise to this extent from the PMT which allows for such consideration)

4. Qolweni (220):

   a. 41 Double storey units (Phase 1) started in 2018/19 financial year, awaiting appointment of small contractors;
   b. Construction of 132 units underway at different stages.
      i. 120 Slabs complete
ii. 23 units on practical completion  
iii. 26 units completed;  
iv. Brickwork finished on 30 units  
c. Need to resolve the appointment of small Contractors.(Phase 1 - 41 Units)  
d. That Phase 1 Qolweni be extended to any of the identified major contractors operating in the immediate area as per the provisions of the GCC (see appended advise to this extent from the PMT which allows for such consideration)  
e. Part of proposed interventions reflected below to alleviate the situation. It has already generated significant community tensions around delayed construction in Phase 1, which might negatively affect further progress with Phase 2 of the construction process.

5. Witlokasie:  

a. This project is identified for the fire victims and managed by Provincial Government;  
b. Construction of 57 Top structures underway;  
c. Rectification (45) completed (26 demolished and rebuilt, 11 normal rectification, nothing done on the remaining based on assessment)  
d. 64 site and service sites being prepared and Apex units’ provided- non-qualifiers relative to State subsidy criteria.  
e. Challenge with the existing densities and required additional opportunities – part of new planning and council/WC DoHS to resolve the matter.

6. Ethembeni (200):  

a. 71 Top Structures completed  
b. 53 slabs have been casted in this area.  
c. Top Structures are to be constructed as part of the EPHP.  
d. Balance of work also affected by soil conditions, densities, etc.  
e. Need for negotiations with SANRAL to transfer some of the land parcels in the immediate area for consolidation and use for the required yields – extended project.

7. Happy Valley(120):
a. 40 completed units;
b. 25 slabs casted
c. Need to provide land stabilisation at cost of R40 000 per event
d. Also need for negotiations with SANRAL to transfer some of the land parcels in the immediate area for consolidation and use for the required yields – extended project. Area has soil stabilisation requirements which has been quantified and noted to be in the region of R40 000 per erf as well development of alternative material type of BNG units due to the current soil conditions.

8. Bloemfontein(150):

a. Phase 1 comprising 75 units have been completed
b. Phase 2 (75 units) underway at different phases.
c. Targeted Complication October 2020

9. Hornlee(155):

a. 36 units on practical completion;
b. 140 Foundations complete;
c. 70 Roof Structures complete;
d. Blockwork complete on 140 units
e. Targeted completion on or before October 2020

10. Smutsville/Sizamile & Interim Basic Services for 600 sites on the Dunes (Sedgefield):

a. 2 of the 4 development areas have received Planning Tribunal approval, while the remaining 2 are going through statutory processes.
b. WC DoHS have approved funding for the acquisition of land and the property acquisition processes are being finalized. The latter authority has authorised the use of R2,6 m with KM having approved the balance of R360 000 to effectively purchase as intended from the seller, Circle Brokers.
c. A draft sale agreement has been received and awaits confirmation by the AMM’ office. This will be followed by the finalisation of the sale process, which will be coordinated with the WC DoHS.
d. The Sedgefield Interim Basic Services Project (600 sites) was initiated last year (2019) and is now nearing completion. A further application for additional 600 units for similar work done due to the growth of the settlement and increased land invasion.
11. Karatara:

a. Town Planning Layouts are complete for this project, with 35 units being ready for construction depending on the other studies being carried out towards ensuring provision of bulk services.

b. The WC DoHS has indicated that the project might be affected relative to funding consideration due to the significant reduction that had to be effected due to current national Treasury directives.

12. Rheenendal:

a. Provision of bulk services remain as a major impediment.

b. Further planning might be stopped due to budget constraints

c. The bulk infrastructural Study for both this area and the balance of work in Karatara might be delayed due to budget considerations as alerted by the WC DoHS.

13. Heidevallei:

a. Framework Plan approved by Knysna Municipality

b. Detailed Planning which will include a number of studies is to follow

c. This is regarded as a legacy project for KM towards long term socio-economic integration as it involves a major deviation from the norm to more of a typology driven housing approach – Social housing, BNG, GAP/FLISP, Site and service options and enhanced inclination towards medium to high density housing options to optimize the use of public land to realize this

14. Overall Related Risks

The Vision Housing Programme in particular has been on going with effect from 2005. It should normally not take more than 5 years to complete a defined committed project, as has been the case with this programme. It together with the balance of listed projects above have historically been emboiled in various challenges and risks as listed below: Notwithstanding this historical context and the unfortunate reality of budget cuts and likely negative impact to the communities concerned, we flad the following risk issues which require immediate intervention and resolution by the Municipality together with its development partner, the WC DoHS:

- **High levels of densities** in particular the Northern Areas – Current backlog of 12 500 growing annually by 3%, which makes Knysna the 3rd municipality with informal settlements, and growing backlog in the Western Cape Region.

- **Limited land parcels for de densification** and project implementation
- Town planning support – land packaging as well as lack of related sub divisional authorities for erven determination per plot
- No immediate land at various stages for TRAs
- Socio-political tensions around contestations, “wardism” which has limited ability for broader integration due to high levels of area contestations
- Limited funding to sustain the project – given the KM’ financial situation it is no longer possible for the municipality to provide internal funding support save relying significantly on the annual successive capital investment contributions made by the WC DoHS
- Project timelines in the Vision Project in particular have gone beyond the acceptable standard and practice of an average 5 years for initiating and completion of a project – Currently a 15-year period has passed without completion of the targeted yields per FY. This unending situation merits a serious review and possible transfer of responsibility to the WC DoHS to complete the project given that the KM’ internal processes and capacity as well as the external challenges do not allow for seamless progress and resolution of the significant challenges highlighted here-in.
- Current breach of contract claims and overall negative impact for identified projects – Small Emerging Contractors (x8) which is currently being pursued on the basis of a long drawn legal process/solution (see attached letter from the KM’ external legal team, Bulabula Attorneys to the attorneys representing the 8 contractors)
- The above has resulted in construction stoppages, vandalism and theft in some of the units partially completed in Dam Se Bos
- The delayed resolution has unfortunately also affected planned extension of similar construction work in other areas for currently approved projects – the above listed projects, Hialani (12X BNG Duplex units), Happy Valley (25x Slabs/BNG units), Ethembeni (52 x slabs and BNG Units), Qolweni (41 x Duplex units)
- Currently the committed budget for 2020/21 received in the form of an approved Business Plan from the WC DoHS might not be used in the current FY and would have to be ceded back to the latter authority
- This would represent significant poor performance on the part of the KM’ capital budget and commitments to the affected communities which needs to be avoided as it could ignite socio-political tensions, street riots and conflict similar to the past situation experienced 2 years ago
- Increased tensions and threats to staff, contractors and project management personnel including land invasions and street rioting, have been high due to highly charged emotions and socio-political tensions.

15. Urgent Proposed Interventions – KM

Whilst it is an undeniable imperative that due financial and legal processes must be adhered to at all times when handling the implementation of such housing programmes, it is important for council to have a greater consideration and response to these risks and challenges which have now brought the KM housing programme to a state of paralysis. Already significant tensions have arisen for what is perceived as a lack of commitment by the KM to resolve the current paralysis on project continuity.
The KM’ Integrated Human Settlements Directorate has therefore been forced to field numerous meetings and concerns from various community stakeholders as well as affected potential beneficiaries who have been patiently waiting for successful implementation of specific projects whose progress has effectively been derailed. The KM’ local and proportional councillors representing the various wards have also reflected their respective concerns on the same issue with some of the stakeholders addressing housing related delays with them.

Given the above situation, it has now become imperative that TMT, the office of the AMM and affected Section 80 Committee and Council structures considers the following proposed interventions:

1. The breach of contract matter be expeditiously resolved;

2. It be noted that the previous contract of the nine (9) contractors engaged by the KM has expired and not been renewed due to the need to await the finalisation of the breach of claim matter;

3. Consideration be given to whether it would be appropriate for an administrative and political consideration and resolution that would allow for urgent procurement of such small contractors (SMMES) normally used for related construction work for the specific projects highlighted above;

4. It be noted that there are currently four established big contractors doing major BNG housing projects in Hornlee, Golweni (Phase 2), Bloemfontein In-situ upgrade/BNG, Sedgefield Dunes, Hornlee, etc.;

5. It be noted that the WC DoHS and internal Top Management Team (TMT) were previously briefed about the matter and formal letter sent to the WC DoHS about the related implications;

6. That old projects like Visions be negotiated with the WC DoHS for a possible takeover given the

7. Further to above and given the added implications of the Covid – 19 pandemic and need for emergency housing linked to de densification efforts to ensure safety and appropriate health conditions, it has become critical to consider the following critical interventions:

- Need for structured handling of the current densities in our numerous informal settlements;
- A comprehensive response is critically required as per approved earlier KM Strategic Plan and Covid – 19 related challenges for emergency housing due to health and
safety realities linked to high level of densification in the informal settlements area as well as the current housing backlog of 12 500 with an annual growth of 3%);

- This has resulted in socio-political tensions as well as physical and psychological impact relative to the safety of staff and appointed technical and contracted services operating in these areas. Recently the Manager: IHS and two staff members from SINTEC were subjected to a hijack situation, heckling, verbal abuse and insults as well as physical assaults and threats in the Hlalani area. The level of intimidation and threats of street riots are quite high and fuelled largely by the afore-mentioned critical issues;

- In order to successfully complete the above programmes/projects, there is an eventual need for firm funding and strategic use of its own properties and State land where appropriate, to complement the enhanced delivery of affordable housing opportunities and long term socio-economic integration;

- Knysna be given support to successfully launch its new Strategic Plan and housing typologies as part of the overall comprehensive response; and

- Serious consideration be given to the negotiated transfer of responsibility for some of the historical projects like Vision 2002 to the WC DoHS to ensure necessary completion of it.

In conclusion, there needs to be enhanced clarity as to whether the KM is still committed to the much-required stand-alone operational capacity of the IHS Directorate. This should be guided by the already Council approved KM Strategic Plan (approved in November 2019), related organogram as well as commitment to a typology driven housing approach/model. This continued uncertainty has had an undeniable negative effect to the much-required fluid operational context given the afore-mentioned risks and challenges resulting in lack of confidence by both internal and external stakeholders.

This merits therefore a serious consideration and certainty of purpose, which must also be communicated in our interactions with our critical stakeholders, the WC DoHS, government agencies like the HDA, SANRAL, our project management teams and contractors and more critically, the local community stakeholders. This is critical for enhancing operational stability and confidence of the various stakeholders given the complexity of the housing environment both internally and externally.
7.4

REPORT FROM THE DIRECTOR INTEGRATED HUMAN SETTLEMENTS

PURPOSE OF THE REPORT

To inform Council on the 2020/21 housing business plan as approved by the Western Cape Department of Human Settlement

PREVIOUS RESOLUTIONS

BACKGROUND

The Western Cape: Department of Human Settlement (WC DoHS) allocated an amount of R56 506 000.00 to Knysna Municipality for housing projects in the 2020/21 financial year. The WC DoHS approved Knysna Municipality’s housing business plan for the 2019/20 financial year as set out below:

<table>
<thead>
<tr>
<th>NAME OF PROJECT</th>
<th>NO OF SITES</th>
<th>NO OF UNITS</th>
<th>AMOUNT OF FUNDING</th>
</tr>
</thead>
<tbody>
<tr>
<td>Vision 2002: 459 Units</td>
<td></td>
<td>50</td>
<td>R 6 500 000.00</td>
</tr>
<tr>
<td>Hialani</td>
<td>46</td>
<td>50</td>
<td>9 260 000.00</td>
</tr>
<tr>
<td>Happy Valley</td>
<td></td>
<td>50</td>
<td>6 500 000.00</td>
</tr>
<tr>
<td>Ethembeni</td>
<td>45</td>
<td></td>
<td>5 850 000.00</td>
</tr>
<tr>
<td>Qolweni</td>
<td></td>
<td>50</td>
<td>6 500 000.00</td>
</tr>
<tr>
<td>Bloemfontein</td>
<td>50</td>
<td></td>
<td>6 500 000.00</td>
</tr>
<tr>
<td>Hornlee</td>
<td></td>
<td>50</td>
<td>6 500 000.00</td>
</tr>
<tr>
<td>Sedgefield: Interim Basic Services</td>
<td></td>
<td></td>
<td>2 000 000.00</td>
</tr>
<tr>
<td>Heidevallei: Planning fees</td>
<td></td>
<td></td>
<td>2 000 000.00</td>
</tr>
<tr>
<td>Witlokasie: 56 Top Structures</td>
<td></td>
<td></td>
<td>4 280 000.00</td>
</tr>
<tr>
<td>Witlokasie: NGO</td>
<td></td>
<td></td>
<td>616 000.00</td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td></td>
<td></td>
<td><strong>R56 506 000.00</strong></td>
</tr>
</tbody>
</table>

Although the projects for Witlokasie are part of Knysna Municipality 2020/21 approved Business Plan the projects is directly under the control of the WC DoHS, which means that they would pay the contractors/ suppliers and consultants directly. R52 226 000.00 will be directly under the control of Knysna Municipality.

WC DoHS indicated that all claims submitted from 1 April 2020 until the end of June 2020 would be against the 2020/21 allocation as their financial year started 1 April 2020. The following funds were received from WC DoHS from 1 April 2020 until end of May 2020.
INTEGRATED HUMAN SETTLEMENTS COMMITTEE MEETING
AGENDA
10 SEPTEMBER 2020

NAME OF PROJECT | AMOUNT OF FUNDING | AMOUNT RECEIVED
--- | --- | ---
Vision 2002: 459 Units | R 6 500 000.00 | R 413 610.00
Hlalani | 9 260 000.00 | 
Happy Valley | 6 500 000.00 | 
Ethembeni | 5 850 000.00 | 638 980.00
Qolweni | 6 500 000.00 | 2 854 111.41
Bloemfontein | 6 500 000.00 | 
Hornlee | 7 150 000.00 | 3 596 243.00
Sedgefield: Interim Basic Services | 2 000 000.00 | 438 457.99
Heidevallei: Planning fees | 2 000 000.00 | 
TOTAL | R52 226 000.00 | R 7 986 403.20

The following claims have to date been submitted to WC DoHS and are still outstanding relative to settlement:

- Bloemfontein: R3 857 319.52
- Hornlee: 1 510 497.52

Total: R 5 367 817.84

COMMENTS FROM THE MUNICIPAL MANAGER
The report is noted.

COMMENTS FROM CORPORATE SERVICES
None

COMMENTS FROM FINANCIAL SERVICES
Noted

COMMENTS FROM TECHNICAL SERVICES
Noted

COMMENTS FROM COMMUNITY SERVICES
None

COMMENTS FROM PLANNING AND DEVELOPMENT
Report Noted.

COMMENTS FROM LEGAL SERVICES
None

RECOMMENDATION OF THE ACTING MUNICIPAL MANAGER
That the IHS Business Plan for 2020/21 as approved by the Western Cape Department of Human Settlements, be noted.
APPENDIX / ADDENDUM

1. KNYSNA BUSINESS PLAN 2021 Annexure 1

File Number: 9/1/2/15
Execution: Manager Integrated Human Settlements
The Municipal Manager

Knysna Municipality
PO Box 21
Knysna
6570
Fax: (044) 302 6333
(066) 658 9636

ALLOCATED FUNDING: HUMAN SETTLEMENT DEVELOPMENT GRANT AGREEMENT OF DELIVERY TARGETS

The Department has allocated the following funding to your municipality for the implementation of Human Settlement projects over the MTEF:

2020/21: R 56,506,000
2021/22: R 26,000,000 (Indicative amount subject to approval of projects)
2022/23: R 13,000,000 (Indicative amount subject to approval of projects)

The attached schedule lists the proposed projects for the 2020/21 provincial financial year (1 April 2020 to 31 March 2021). Please confirm that your municipality is able to deliver on these targets by 31st March 2021. Please also provide detailed cash flows per project to your regional director.

DELIVERY TARGETS

<table>
<thead>
<tr>
<th>KNYSNA</th>
<th>Planned 2020/21</th>
<th>Sites</th>
<th>Units</th>
<th>Funding R'000</th>
</tr>
</thead>
<tbody>
<tr>
<td>Vision (459)</td>
<td></td>
<td>50</td>
<td>6 500</td>
<td></td>
</tr>
<tr>
<td>Hlalanzi (273/165/96)</td>
<td></td>
<td>46</td>
<td>50</td>
<td>9 260</td>
</tr>
<tr>
<td>Ethembeni (180/200/175)</td>
<td></td>
<td>45</td>
<td>5 850</td>
<td></td>
</tr>
<tr>
<td>Happy Valley (95/120/104)</td>
<td></td>
<td>50</td>
<td>6 500</td>
<td></td>
</tr>
<tr>
<td>Qotweni (220)</td>
<td></td>
<td>50</td>
<td>6 500</td>
<td></td>
</tr>
<tr>
<td>Bloemfontein (150)</td>
<td></td>
<td>50</td>
<td>6 500</td>
<td></td>
</tr>
<tr>
<td>Homilee (359/312)</td>
<td></td>
<td>50</td>
<td>6 500</td>
<td></td>
</tr>
<tr>
<td>ISSP Sedgefield (600) NGO/Interim Services</td>
<td></td>
<td></td>
<td>2 000</td>
<td></td>
</tr>
<tr>
<td>ISSP Sedgefield (600) NGO</td>
<td></td>
<td></td>
<td></td>
<td>6 16</td>
</tr>
<tr>
<td>Witlokasi (155) (56 top structures)</td>
<td></td>
<td>56</td>
<td>4 280</td>
<td></td>
</tr>
<tr>
<td>Heidevallei (2300)</td>
<td></td>
<td>50</td>
<td>2 000</td>
<td></td>
</tr>
</tbody>
</table>

SUB TOTAL: 46 401 56 506

Yours Faithfully

HEAD OF DEPARTMENT
DATE: 19/03/2020

CHIEF DIRECTORATE: HUMAN SETTLEMENT IMPLEMENTATION
27 Wale Street, Cape Town, 8000
Tel: +27 21 483 2512

Private Bag X9043, Cape Town, 8000
www.westerncape.gov.za
Phila.Mayisela@westerncape.gov.za

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### Purpose of the Report

To inform Council on the expenditure on the 2019/2020 housing business plan as approved by the Western Cape: Department of Human Settlement

### Background

The Western Cape: Department of Human Settlement (WC DoHS) allocated an amount of R69 400 000.00 to Knysna Municipality for housing projects in the 2019/20 financial year. The WC DoHS approved Knysna Municipality’s housing business plan for the 2019/20 financial year as set out below:

<table>
<thead>
<tr>
<th>NAME OF PROJECT</th>
<th>NO OF UNITS</th>
<th>AMOUNT OF FUNDING</th>
</tr>
</thead>
<tbody>
<tr>
<td>Vision 2002: 459 Units</td>
<td>126</td>
<td>R16 380 000.00</td>
</tr>
<tr>
<td>Hialani</td>
<td>15</td>
<td>1 950 000.00</td>
</tr>
<tr>
<td>Happy Valley</td>
<td>15</td>
<td>1 950 000.00</td>
</tr>
<tr>
<td>Ethembeni</td>
<td>45</td>
<td>5 850 000.00</td>
</tr>
<tr>
<td>Qolweni</td>
<td>45</td>
<td>5 850 000.00</td>
</tr>
<tr>
<td>Bloemfontein</td>
<td>75</td>
<td>5 000 000.00</td>
</tr>
<tr>
<td>Hornlee</td>
<td>55</td>
<td>7 150 000.00</td>
</tr>
<tr>
<td>Hornlee: Infill (Backyard dwellers) Planning fees</td>
<td>55</td>
<td>500 000.00</td>
</tr>
<tr>
<td>Sedgefield: Interim Basic Services</td>
<td></td>
<td>9 040 000.00</td>
</tr>
<tr>
<td>Sedgefield: Planning fees</td>
<td></td>
<td>1 500 000.00</td>
</tr>
<tr>
<td>Karatara: Planning fees</td>
<td></td>
<td>428 000.00</td>
</tr>
<tr>
<td>Heidevallei: Planning fees</td>
<td></td>
<td>2 000 000.00</td>
</tr>
<tr>
<td>Witlokasie: Toilets &amp; Wendy Houses</td>
<td></td>
<td>2 500 000.00</td>
</tr>
<tr>
<td>Witlokasie: 56 Top Structures</td>
<td></td>
<td>3 000 000.00</td>
</tr>
<tr>
<td>Witlokasie: Rectification</td>
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<tr>
<td>Witlokasie: NGO</td>
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<td>452 000.00</td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td></td>
<td><strong>R69 400 000.00</strong></td>
</tr>
</tbody>
</table>

Although the projects for Witlokasie is part of Knysna Municipality 2019/20 business plan the projects is directly under the control of the WC DoHS which means that they would pay the contractors/ suppliers and consultants directly.

The table bellows shows how much funds that we have already received on our 2019/20 business plan from the WC DoHS as of the 1st April 2019 (the beginning of the WC DoHS
INTEGRATED HUMAN SETTLEMENTS COMMITTEE MEETING
AGENDA
10 SEPTEMBER 2020

financial year) till the end of March 2020 (the end of the WC DoHS financial year). The performance reflected herein from a funding perspective is based only on the projects directly under the control of the Knysna Municipality.

<table>
<thead>
<tr>
<th>NAME OF PROJECT</th>
<th>AMOUNT OF FUNDING</th>
<th>AMOUNT RECEIVED</th>
</tr>
</thead>
<tbody>
<tr>
<td>Vision 2002: 459 Units</td>
<td>R16 380 000.00</td>
<td>R10 785 781.00</td>
</tr>
<tr>
<td>Hlalani</td>
<td>1 950 000.00</td>
<td>1 706 300.80</td>
</tr>
<tr>
<td>Happy Valley</td>
<td>1 950 000.00</td>
<td>1 544 900.80</td>
</tr>
<tr>
<td>Ethembeni</td>
<td>5 850 000.00</td>
<td>751 020.00</td>
</tr>
<tr>
<td>Qolweni</td>
<td>5 850 000.00</td>
<td>3 111 720.68</td>
</tr>
<tr>
<td>Bloemfontein</td>
<td>5 000 000.00</td>
<td>7 010 050.63</td>
</tr>
<tr>
<td>Hornlee</td>
<td>7 150 000.00</td>
<td>R11 968 383.80</td>
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<tr>
<td>Hornlee: Infill (Backyard dwellers) Planning fees</td>
<td>500 000.00</td>
<td></td>
</tr>
<tr>
<td>Sedgefield: Interim Basic Services</td>
<td>9 040 000.00</td>
<td>8 866 595.03</td>
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<tr>
<td>Sedgefield: Planning fees</td>
<td>1 500 000.00</td>
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</tr>
<tr>
<td>Karatara: Planning fees</td>
<td>428 000.00</td>
<td>410 339.00</td>
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<td>Heidevallei: Planning fees</td>
<td>2 000 000.00</td>
<td>2 626 402.00</td>
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<tr>
<td>Rheenendal: Planning fees</td>
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<td>180 393.00</td>
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<tr>
<td>Vision 2002: 1393 Sites</td>
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<td>5 382 653.82</td>
</tr>
<tr>
<td>Sedgefield: Planning fees</td>
<td></td>
<td>237 928.00</td>
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<tr>
<td>Hornlee 312 sites</td>
<td></td>
<td>1 186 838.00</td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td><strong>R57 598 000.00</strong></td>
<td><strong>R55 769 306.56</strong></td>
</tr>
</tbody>
</table>

Although the Rheenendal: Planning fees and the Vision 2002: 1393 sites are not indicated on the 2019/20 business plan, we did receive resolution to this effect for R180 393.00 and R5 382 653.82 respectively from the WC DoHS for these projects for the 2019/20 financial year.

Based on the above information we already claimed 96.83% of our 2019/20 business plan funds on projects directly under the control of Knysna Municipality. We have already submitted the balance of the claims to cover the entire allocation during March 2020 and we await related settlement. The final settlement came through in April 2020 and will be aligned to the 2020/21 FY.

For the first time in the last three (3) FYs the Knysna Municipality spent 96.83% of its annual allocation received from WC DoHS. This represent a significant improvement and milestone, which the KM must ensure within a stabilized housing environment.

The WC DoHS are currently considering the application for planning fees for the Hornlee Infill (backyard dwellers) project as well as additional funding that complements our overall housing quantities and yields per respective approved projects.
COMMENTS FROM THE MUNICIPAL MANAGER
The report is noted.

COMMENTS FROM CORPORATE SERVICES
Noted

COMMENTS FROM FINANCIAL SERVICES
Noted

COMMENTS FROM TECHNICAL SERVICES
Noted

COMMENTS FROM COMMUNITY SERVICES
None

COMMENTS FROM PLANNING AND DEVELOPMENT
Noted

COMMENTS FROM LEGAL SERVICES
None

RECOMMENDATION OF THE ACTING MUNICIPAL MANAGER
That the report on the performance of the 2019/20 I H S Business Plan, be noted.

APPENDIX / ADDENDUM
Knysna final 14Nov R 69 4000

File Number: 9/1/2/15
Execution: Manager Integrated Human Settlements
The Municipal Manager

Knysna Municipality

PO Box 21
Knysna
6570
Fax: (044) 302 6333
(066) 638 9636

ALLOCATED FUNDING: HUMAN SETTLEMENT DEVELOPMENT GRANT AGREEMENT OF DELIVERY TARGETS

The Department has allocated the following funding to your municipality for the implementation of Human Settlement projects 2019/20:

R 69,400,000

The attached revised schedule lists the projects for the 2019/20 provincial financial year (1 April 2019 to 31 March 2020). Please confirm that your municipality is able to deliver on these targets by 31st March 2020. Please also provide detailed cash flows per project to your regional director.

DELIVERY TARGETS 2019/20

<table>
<thead>
<tr>
<th>KNYNSA</th>
<th>Planned</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sites</td>
<td>Units</td>
</tr>
<tr>
<td>Vision (459)</td>
<td>126</td>
</tr>
<tr>
<td>Milnerton (227/163/98)</td>
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<tr>
<td>Thembeleni (1120/200/175)</td>
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<tr>
<td>Happy Valley (96/120/104)</td>
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<td>Solwane (220)</td>
<td>15</td>
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<td>Roemfontein (110)</td>
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<td>Homelands (399/310)</td>
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<tr>
<td>Homelands Infill</td>
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<tr>
<td>SSP Sedgefield (600) NGO/Interim Services</td>
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<tr>
<td>SSP Sedgefield (600) NGO</td>
<td>1,500</td>
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<tr>
<td>Karaterra (214)</td>
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<tr>
<td>Heidelberg (2300)</td>
<td>2,000</td>
</tr>
<tr>
<td>Witlokosie (155) (Toilets + Wendy Houses)</td>
<td>2,500</td>
</tr>
<tr>
<td>Witlokosie (155) (56 top structures)</td>
<td>3,000</td>
</tr>
<tr>
<td>Witlokosie (46) repair fire damage</td>
<td>5,850</td>
</tr>
<tr>
<td>Witlokosie NGO</td>
<td>452</td>
</tr>
</tbody>
</table>

Sub Total

50

376

69,400

Yours Faithfully,

HEAD OF DEPARTMENT

DATE: 14/11/2019

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8. **CLOSURE**

-oOo-