KNYSNA
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SUPPLEMENTARY AGENDA

STRATEGIC SERVICES & INTEGRATED HUMAN SETTLEMENTS COMMITTEE MEETING

THURSDAY, 23 APRIL 2026

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5.5

P05/04/26	**DEVELOPMENT OF ERF 3339, FISHERHAVEN, KNYSNA – REDUCTION IN PRICE PERS STAND**

REPORT FROM THE DIRECTOR INTEGRATED HUMAN SETTLEMENTS

PURPOSE OF THE REPORT

To present to Council the request received from the Steering Committee representing applicants of Erf 3339 for a reduction in the approved land price per stand, and to obtain Council direction in light of previous Council resolutions and policy considerations

BACKGROUND

Erf 3339 is approximately 4 hectares (±40,000m²) in size and is situated on the northern side of Springer Street in Fisherhaven. The site is currently zoned for residential use and is owned by the Knysna Municipality. The development of Erf 3339 aligns with the Municipality's broader spatial and housing strategies aimed at:

- Increasing housing stock for the income group earning between R3,501 and R22,001 and the category above R22,000;
- Encouraging densification and curtail urban sprawl;
- Unlocking economic growth and employment opportunities through infrastructure investment; and,
- Preventing land invasion and informal settlement formation.

Council, at its meeting held on 5 June 2025, resolved under Item IHS05/05/25 (Item 6) that Erf 3339 be alienated to lower- to middle-income beneficiaries and approved a sale value of R52,352.00 per stand plus a proportional contribution toward the R750,000 municipal investment, meaning R750 000/61 = R12,295.00, bringing the total sales price per stand to R64,647.00.

This resolution was informed by:

- The infrastructure subsidy investment per stand;
- The need to recover municipal input costs; and
- Compliance with the Municipal Finance Management Act (MFMA) and Municipal Asset Transfer Regulations (MATR).

The development is intended to support FLISP, GAP housing and 61 erven for plot & plan markets and address the housing needs of middle-income households.

FINANCIAL IMPLICATION

This development has been more than 6 years in the making resulting in loss of revenue to Council as these land parcels have been dormant for some time. Should they be invaded, Council will have to take prompt action to remove illegal occupants, and this will come at huge costs.

To comply with the Provincial guidance (letter dated 19/02/2025) and the PFMA the directorate appointed CDV Waardeerders (PTY) Ltd to undertake a Market Related Valuation of a Proposed Portion of the Remainder of Erf 3339 Knysna. The valuer concluded:

> *"After taking into consideration the size, location and the zoning of the subject property, we are of the opinion that a fair market related rate that can be applied to the subject property is R375/m²" (28/02/2025)*

Council resolved IHS05/05/25 in June 2025 to sell the land to qualifying (R3,501-R22,001) and non-qualifying (above R22,001) beneficiaries for R52,352.00 per stand plus a portion of the equal share of R750,000 based on the final site layout and beneficiaries. *Although permitted, effort must be made for the sale to non-qualifiers to be kept to a minimum as to ensure the initial target market of earners between R3501 and R22.001 be reached.*

REQUEST FROM STEERING COMMITTEE

The Steering Committee, representing the original 61 applicants, submitted a formal request dated 10 March 2026, seeking a reduction in the price per stand from approximately R64,647.00 to between R15,000 and R20,000 per stand.

The Committee indicates that applicants face significant additional development-related costs, including:

- Design and drafting standing building plan building plans and design;
- Engineering fees
- Building plan fees
- Building deposit
- Town planning zoning fees

These costs amount to approximately R66,778.74 per stand**,** resulting in a total estimated cost of circa R119,778.74 per applicant when combined with the land price . The additional R12,295.00 per stand for municipal investment is not factored into this total.

Further concerns raised include ongoing liability for rates and service charges on vacant stands, the prevailing economic climate and affordability constraints for first-time homeowners.

What is not factored into the Steering Committee calculation is the First Time Homeowners subsidy (First Home Finance, formerly known as FLISP). This is a subsidy for first-time homebuyers where qualifying beneficiaries receives a subsidy ranging between R38 878 to R169 264 (based on 2024 figures**),** depending on income (the lower the income, the higher the subsidy).

Legal and Policy Compliance

The Municipal Finance Management Act (MFMA), Section 14(2)(b) stipulates that a municipality must consider both the *fair market value* and the *economic and community value* of the asset before transferring it. This opens the opportunity for Council to consider alienating land at less than market value where it benefits the public interest:

> *"Council may transfer ownership of a capital asset… only after the Council… has considered the fair market value of the asset and the economic and community value to be received in exchange for the asset."*

Furthermore, Regulation 40(2)(b)(i) of the MFMA Municipal Asset Transfer Regulations (MATR) confirms:

> *"Immovable property may be sold only at market-related prices, except when the public interest or the plight of the poor demands otherwise."*

Moreover, the SALGA Generic Municipal Policy on Land Disposal (2020) (developed in line with MFMA & MATR) reiterates:

> *"Disposal at below market value is permissible where such disposal supports the municipality's constitutional obligations to redress inequalities and ensure access to land and housing."*

<u>Knysna Municipality MANAGEMENT OF IMMOVABLE PROPERTY POLICY</u> Chapter 9: CRITERIA FOR DETERMINING COMPENSATION AND FAIR MARKET VALUES provide guidance for the disposal of immovable assets for less than market value:

> *44.1 "Property may be Disposed of only at market-related prices, except when the plight of the poor or other public interest factors which impact on the economic and community value to be received by the Municipality demand otherwise.*
>
> *44.2 If the Municipality, on account of the public interest, particularly in relation to the plight of the poor, intends to Dispose of a Non-Exempted Property for less than market value it must take into account the following factors:*

- *the interests of the State and the local community;*
- *the strategic and economic interests of the municipality, including the long-term effect of the decision on the municipality;*
- *the constitutional rights and legal interests of all affected parties;*
- *whether the interests of the parties to the transfer should carry more weight than the interest of the local community, and how the individual interest is weighed against the collective interest; and,*
- *whether the local community would be better served if the capital asset is transferred at a less than its fair market value, as opposed to a transfer of the asset at fair market value"*

Knysna PHSHDA Final Development Plan (2025): *Supports mixed-income, affordable housing delivery through land access to both BNG and FLISP markets*.
FLISP Programme (www.flisp.co.za): *Government-endorsed subsidy programme requiring integration with municipal land and housing delivery processes*

<u>DISCUSSION</u>

The directorate has been meeting with the erf 3339 Steering Committee since January 2025. The key point of contention remain the sale value per strand. There is now a need for Council to resolve this matter urgently to progress this development.

The PAWC Department of Infrastructure makes a distinction between disposal of sites to <u>qualifying and non-qualifying beneficiaries</u>. For qualifying beneficiaries, the disposal should be <u>*determined on the basis of the per stand infrastructure cost*</u>. For non-qualifying beneficiaries the sale value should be determined using *fair market value, which may not be less than the input costs per stand*.

The directorate has assessed the applicability of the First Home Finance (FLISP) subsidy as a key affordability instrument. The subsidy provides qualifying beneficiaries with a once-off grant ranging from approximately R30,000 to R169,000, depending on income, which may be applied toward the purchase of a serviced stand and construction of a dwelling. This subsidy significantly reduces the effective cost burden on beneficiaries and is specifically intended to bridge the affordability gap in the GAP housing market.

Considering this, a reduction of the stand price to R15,000–R20,000 is not financially sustainable, as it would result in a duplication of subsidy support.

However, a moderated adjustment of the stand price to a range of R30,000–R40,000 may be considered as a balanced approach that:

- Enhances affordability;
- Leverages FLISP as the primary subsidy mechanism; and
- Maintains partial cost recovery for the Municipality."

RECOMMENDATION OF THE ACTING MUNICIPAL MANAGER

[a] That the Report on the Development of Erf 3339, Fisherhaven, Knysna – reduction in price per stand, be noted;

[b] Council notes the request from the Steering Committee regarding the reduction of the stand price for Erf 3339;

[c] That Council consider and resolve on the three options:

(i) That non-qualifying applicants with a salary scale above R22,001 pay R52,352.00 per stand

(ii) That qualifying applicants within the salary scale R3501.00 – R22,001 pay between R30,000- R40,000 per stand

Or

(iii) That the request of the Steering Committee be considered for qualifying applicants for R15, 000- R20,000 per stand, on a sliding scale based on salary (R3,501-R22,001).

[d] That items [d] and [h] of resolution IHS05/05/25 be rescinded:

IHS05/05/25 REPORT ON THE DEVELOPMENT OF ERF 3339, FISHERHAVEN, KNYSNA

UNANIMOUSLY RESOLVED

[a] That the Report on the Development of Erf 3339, Fisherhaven, Knysna, be noted;

[b] That the previous Council resolution dated 26th October 2023 (Item IHS06/10/23) be rescinded;

[c] That Council approves its alienation to lower- to middle income community beneficiaries in terms of the MFMA, MATR, and the Knysna policy;

[d] That Council approve the sale value to beneficiaries for the amount of R52,352.00 per stand plus a portion of the equal share of R750,000 based on the final site layout and beneficiaries;

[e] That a development application inclusive of Environmental Exemption is submitted in terms of Spatial Planning and Management Act, 2013 in order to establish proper cadastral entities;

[f] That an all-inclusive waiting list split of 80 – 20 be utilized as a mechanism to ensure a fair and equitable administrative process;

[g] That the allocation of erven be split into Plot and Plan, Flisp and GAP housing;

[h] That the municipality's initial contribution of R750,000 for environmental approval, land use applications and community facilitation and administrative processes be recouped from beneficiaries;

[i] That building plan applications need to be submitted in terms of the National Building Regulations and Building Standards Act No. 103 of 1977 for all dwellings;

[i] That all building works be undertaken in accordance with the National Housing Code, 2009;

[k] That a special account and vote be created for Erf 3339 for receiving allocation from beneficiaries; and

[e] That Council support the use of a Transactional Advisor to expedite the FLISP development as a turnkey project on Erf 3339.

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

APPENDIX / ADDENDUM

FLISP subsidy scale

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

How much can I qualify for?

Step Number	Increment Band		Quantum
#	Lower	Higher	Amount
1	R3 501	R3 701	R169 265
2	R3 701	R3 901	R167 816
3	R3 901	R4 101	R166 367
4	R4 101	R4 301	R164 918
5	R4 301	R4 501	R163 470
6	R4 501	R4 701	R162 021
7	R4 701	R4 901	R160 572
8	R4 901	R5 101	R159 123
9	R5 101	R5 301	R157 675
10	R5 301	R5 501	R156 226
11	R5 501	R5 701	R154 777
12	R5 701	R5 901	R153 328
13	R5 901	R6 101	R151 880
14	R6 101	R6 301	R150 431
15	R6 301	R6 501	R148 982
16	R6 501	R6 701	R147 534
17	R6 701	R6 901	R146 085
18	R6 901	R7 101	R144 636
19	R7 101	R7 301	R143 187
20	R7 301	R7 501	R141 739
21	R7 501	R7 701	R140 290
22	R7 701	R7 901	R138 841
23	R7 901	R8 101	R137 392
24	R8 101	R8 301	R135 944
25	R8 301	R8 501	R134 495
26	R8 501	R8 701	R133 046
27	R8 701	R8 901	R131 597
28	R8 901	R9 101	R130 149
29	R9 101	R9 301	R128 700
30	R9 301	R9 501	R127 251
31	R9 501	R9 701	R125 803
32	R9 701	R9 901	R124 354
33	R9 901	R10 101	R122 905
34	R10 101	R10 301	R121 456
35	R10 301	R10 501	R120 008
36	R10 501	R10 701	R118 559
37	R10 701	R10 901	R117 110
38	R10 901	R11 101	R115 661
39	R11 101	R11 301	R114 213
40	R11 301	R11 501	R112 764
41	R11 501	R11 701	R111 315
42	R11 701	R11 901	R109 866
43	R11 901	R12 101	R108 418
44	R12 101	R12 301	R106 969
45	R12 301	R12 501	R105 520
46	R12 501	R12 701	R104 071
47	R12 701	R12 901	R102 623
48	R12 901	R13 101	R101 174
49	R13 101	R13 301	R99 725
50	R13 301	R13 501	R98 277
51	R13 501	R13 701	R96 828
52	R13 701	R13 901	R95 379
53	R13 901	R14 101	R93 930
54	R14 101	R14 301	R92 482
55	R14 301	R14 501	R91 033
56	R14 501	R14 701	R89 584
57	R14 701	R14 901	R88 135
58	R14 901	R15 001	R86 687
59	R15 001	R15 201	R85 238
60	R15 201	R15 401	R83 789
61	R15 401	R15 601	R82 340
62	R15 601	R15 801	R80 892
63	R15 801	R16 001	R79 443
64	R16 001	R16 201	R77 994
65	R16 201	R16 401	R76 545
66	R16 401	R16 601	R75 097
67	R16 601	R16 801	R73 648
68	R16 801	R17 001	R72 199
69	R17 001	R17 201	R70 751
70	R17 201	R17 401	R69 302
71	R17 401	R17 601	R67 853
72	R17 601	R18 001	R66 404
73	R18 001	R18 201	R64 956
74	R18 201	R18 401	R63 507
75	R18 401	R18 601	R62 058
76	R18 601	R19 001	R60 609
77	R19 001	R19 201	R59 161
78	R19 201	R19 401	R57 712
79	R19 401	R19 601	R56 263
80	R19 601	R19 801	R54 814
81	R19 801	R20 001	R53 366
82	R20 001	R20 201	R51 917
83	R20 201	R20 401	R50 468
84	R20 401	R20 601	R49 020
85	R20 601	R20 801	R47 571
86	R20 801	R21 001	R46 122
87	R21 001	R21 201	R44 673
88	R21 201	R21 401	R43 225
89	R21 401	R21 601	R41 776
90	R21 601	R21 801	R40 327
91	R21 801	R22 001	R38 911

6. CLOSURE

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