

**CITY OF JOHANNESBURG**  
**INNER CITY HOUSING ACTION PLAN**  
**PHASE 1**

**Executive Summary of Draft 1**

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**A. CONTEXT**

The Inner City Housing Action Plan has been prepared within the frame of reference of a number of developments, both in the external environment and in the policy environment. The most important are:

1. A rapidly growing need for accommodation in or near to the Inner City.
2. The internal evolution of strategic perspectives on both Inner City regeneration and on housing development across Johannesburg. While they certainly did not ignore the issue, previous strategies and plans for Inner City regeneration arguably did not give sufficient direction to internal departments and municipal entities on how to scale up residential development, and work through key affordability challenges.
3. A court case – City of Johannesburg vs Rand Properties – which has gone all the way to the Constitutional Court. The passage of the matter through the courts has inextricably tied the issue of how to deal with bad buildings to the issue of how to ensure the development of enough affordable accommodation for those who wish to live in the Inner City.
4. An Inner City Summit process, that has culminated in the formulation of a new Inner City Regeneration Charter.

The Inner City Summit and new Inner City Regeneration Charter are especially important. Through a participatory process over a six month period, the City agreed with a wide range of stakeholders on measures to be taken to accelerate rejuvenation. The Residential Development section of the Inner City Regeneration Charter, considered at the Inner City Summit on 5 May 2007, and subsequently approved by the Mayoral Committee and Council in July 2007, clearly maps out a new approach to residential development in the Inner City. This covers:

- Support to private sector residential developers building for all levels of the housing market;
- Provision of emergency and transitional accommodation;
- Incentives for inclusionary housing;
- Support to poorer households to access residential accommodation through the extension of the social package of subsidized basic services;
- The reformulation of the City's better buildings programme;
- Promotion of ownership options and sectional title support;
- Support for the establishment of improvement districts in residential areas;
- The upgrading of hostels and informal settlements.

Through these measures the City of Johannesburg envisages the development of between 50 000 and 75 000 new units of accommodation in the Inner City.

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In the course of consultations with stakeholders in the run-up to the Summit it was determined that the residential development section in the Charter should be given more detail through the development of an Inner City Housing Action Plan. It was clearly envisaged that the additional detail would not materially change the substance of the policy and strategy approach set out in the Charter. It would simply provide further clarity on how key aspects of the new plan for housing in the Inner City should be operationalized. In other words the core thrust of the Housing Action Plan for the Inner City has already been approved by the Mayoral Committee and Council.

The Charter commits that a first phase of the Inner City Housing Action Plan would be available by August 2007 and a second phase by December 2007. As indicated in the Charter commitments, the first phase is intended to provide a solid analysis of the challenges and opportunities faced, and to clarify how the City of Johannesburg will focus its efforts in response to these challenges and opportunities.

Once stakeholder views have been tested, and the approach approved by the Mayoral Committee and Council, the City will produce a more detailed operational plan that fully explains "all agreements reached on the necessary financial and institutional arrangements to drive delivery". This will be in the form of a phase 2 plan to be circulated in January 2008.

It must be noted that at the same time as the City engages with stakeholders in this planning exercise, it has already *started to implement key commitments* that emerged from the Summit process. In 2006/07, the City began the process of getting emergency and transitional accommodation ready for people who may have to be moved out of buildings that present critical health and safety risks to occupants. Three buildings were targeted for initial refurbishment at a combined cost of some R10 million. The City has now allocated a further R107 million in its 2007/08 budget to the re-development of a number of other buildings that can accommodate people on an emergency or transitional basis, or serve as more permanent accommodation for very low-income families.

## **B. PROBLEM STATEMENT AND APPROACH**

While there are heartening signs that significant private and public investments are being made in Inner City residential development, it is also clear that the Inner City housing market remains very constrained, and in important respects is even in crisis. The problem has a number of dimensions.

### ***Affordability constraints, urban decline and associated risk pricing of finance***

There is a very serious affordability constraint faced by Inner City residents. This is not only due to low and sporadic incomes. The affordability constraint is massively compounded by a constrained supply of new units, which systematically pushes up the price of rental and owned accommodation. The supply constraint is primarily due to a reluctance to invest in a degraded area, despite the price signals suggesting a large market opportunity for developers. It is also due to a reluctance on the part of financing institutions to finance developments where returns on investment from cash flows and asset appreciation may be at risk. The high risk-pricing of finance for Inner City residential developments makes many buildings unviable, further limiting supply, or it is passed through to tenants as relatively higher rentals.

### ***Supply constraints at all levels and downward raiding***

There is very obviously an enormous gap in supply targeting residents at lower income levels. This is understandable as developers are on more comfortable terrain meeting what some have termed 'almost limitless demand' for rented units of R1 800 per month and up. This means that some segments of the housing market appear to be better served than others. However, in general terms there is a lack of adequate supply at all levels of the housing ladder. While a lack of affordable rental accommodation of low- and sporadic-income earners is particularly concerning, weak supply at higher levels compounds the problem further down the ladder. This is because higher-income earners have no option but to 'downward raid' into accommodation that is probably better suited to the needs of poorer residents. Put simply, a two parent household, with one stable income breadwinner and a young child, that could otherwise have found and probably afforded a two bedroom apartment in a normally functioning market, is instead forced to take up a bachelors flat. This then means one less bachelor flat for a single man who is able to scrape together just enough money from a regular, but part-time, casual job.

### ***Lifestyle choices***

There is some evidence from the data that suggests that the housing market in the Inner City is further skewed by the choices of those seeking accommodation. A significant proportion of residents still do not regard the city as their permanent home, or have homes elsewhere on the outskirts of Johannesburg from where transport time and cost make it impossible to commute daily. In these situations there is a natural incentive to want to avoid as much expenditure on accommodation as possible. Money earned is rather remitted elsewhere in the country or on the continent, or invested in homes in other parts of the city.

This presents a conundrum for both public and private sector players driving urban regeneration and residential development. It is likely that a significant part of the reason that residents do not want to stay in the Inner City on a permanent basis, and therefore would prefer to engage in cost avoidance, is the fact that the urban environment and the available accommodation is itself so inhospitable. Should the City and developers therefore promote developments that are built on the assumption of continued impermanence, and therefore cater specifically for residents who don't want to spend very much on housing at all? Or should they instead build better neighbourhoods and residential options that reshape the preferences of residents? Similarly, should more public funds be spent on promoting better residential options in the Inner City, or instead on improved and cheaper public transport so that more people can afford to live outside the Inner City? There are no simple and straightforward answers to these questions.

### ***Market for the slumlords***

A lack of affordability, plus a lack of supply of decent accommodation, plus the prevailing lifestyle choices of a percentage of residents, equals a market for the slumlords. Slumlords skirt the law by under-investing in the maintenance of their buildings, thus violating health and safety regulations; by failing to pay municipal accounts, leading to a situation where the municipality has little option but to restrict power and water supply, which may complicate the ability to respond to fires and exacerbate health risks; and by sub-dividing apartments to push more people into each unit, further compounding the health and safety dangers. Under-investment in maintenance, failure to pay rates and service charges, and over-crowding of flats enables slumlords to extract excessive profits. This gives them a significant advantage over legitimate developers in the purchase of buildings coming onto the market. It may also mean that the average price of a well-maintained rented unit is undercut, distorting the market and limiting the willingness of developers and financing institutions to invest in more supply catering to the lower end of the market. The presence of slummed buildings is also the largest contributing factor to

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the degraded urban environment, creating a generalized context of apparently excessive investment risk.

Ironically, there is a natural consonance of interest between the slumlords and the very poor. Without adequate supply of decent accommodation at the levels at which they can afford, many residents find it acceptable to share space in sub-divided apartments. Those who are intent on not staying in the City for long also have a higher level of tolerance for the deteriorated conditions in buildings. Any attempt to put slumlords out of business would certainly have medium to long term benefits for the supply of better accommodation for all. But in the short term the poor would inevitably pay a heavy price either in the sudden escalation of costs, or in the contraction of availability of the kind of accommodation they can afford. In this context, efforts to shut down slummed properties also recoil in simply displacing the problem to, and exacerbating the conditions in, other bad buildings nearby.

### C. POLICY STARTING POINTS

In the face of this complex of challenges, it is very clear that the only way forward is to:

1. **Address the problem of bad buildings directly, for example by forcing those who are responsible for running down buildings to absorb the costs they try to externalize, while limiting and managing the cost and displacement effects that impact so severely on the poor.** Residential development cannot be separated from urban management and urban regeneration. In this the City and its development partners need to avoid unnecessarily exacerbating the short term problem. Given the unfortunate consonance of interest between the poor and unmanaged or slummed buildings, it is not viable to work from the assumption that urban regeneration depends on immediate mass-changes of ownership that will see the large-scale removal of current occupants from buildings. This may appear to solve an urban management crisis. But it simply exacerbates a housing crisis. In response it is necessary to address building decline through smarter management interventions, not simply ownership changes.
2. **While it is imperative to address the challenge of bad buildings directly, it will simply not be possible in all instances to avoid the removal of occupants from buildings that represent serious and immediate risks to their health and safety. Where it is imperative to move people out of buildings that present immediate health and safety emergencies, this must be done on the basis of a manageable-scale process of decanting, renovation & (re)occupation. The same applies to informal settlements of various kinds that have sprung up in the Inner City.** The City will invest urgently in temporary accommodation that will give residents who must be displaced from bad buildings and informal settlements a place to stay until they can move elsewhere into suitable alternative permanent accommodation. As indicated, this investment has already started.
3. **Promote a massive increase of supply at all levels of housing ladder.** Within the envelope of current resources, and given past experiences with public housing stock, the City wishes to avoid another mass-public housing programme. However, it is recognized that the City must intervene in the critical areas of greatest housing market failure. There are four key areas, *over and above* the investment in temporary accommodation as decant:
  - First, the City must move to provide or ensure shelters for desperate people with special

needs. These include street children, abused women and the chronically homeless (some of whom struggle with mental health problems);

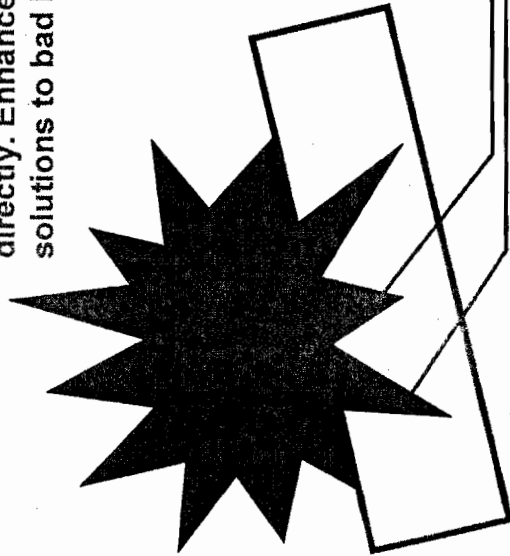
- Second, the City will provide an appropriate amount of short-stay emergency accommodation able to cater for people in crisis situations, such as when a building they have been occupying burns down;
- Third, it is unlikely that anyone but the City, working together with other spheres of government and civil society, will be willing and able to invest in rental accommodation catering solely for the poorest of the city's residents. A stock of lowest-rental buildings, either managed directly by the City, its entities, or by the community sector on a not-for-profit basis, are urgently needed;
- Fourth, the City will work to upgrade hostels and informal settlements in the Inner City.

Above these levels the City would prefer to see a private sector led, but government assisted, programme of delivery targeting the full range of housing market segments. The following is important:

- The Charter envisages that the Inner City will be neither a dormitory for the poor nor an area that only provides lifestyle loft development for the wealthy. Both the poor and the wealthy need to be accommodated in what will become the largest mixed-income community in the country. The City acknowledges it will play a much more active role in order to address the needs of the poorest. But, having said this, our preference is for poorer residents to be housed in buildings that benefit from private sector management expertise. Our primary objective is therefore to encourage inclusionary housing, which sees poorer residents accommodated in buildings that also house a mix of residents with higher levels of affordability. The City is willing to sponsor this kind of development in various ways.
- Private sector led delivery needs to be at all levels of the housing ladder. Ensuring the expansion of supply of middle income rental is as important as that at lower levels because a lack of supply leads to downward raiding.
- The City needs to work much more proactively to shape system-level responses that remove blockages to the proper functioning of the housing market. Innovative solutions to intractable challenges need to be found. For example, the City will work in partnership with all players to remove barriers to entry to good buildings, and promote ownership as well as rental options.
- Building-by-building interventions and large area-focused initiatives will also be pursued.

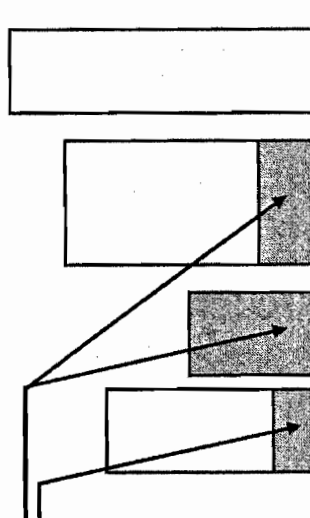
This broad approach, which involves avoiding any exacerbation of the problem, the careful targeting of responses to the worst buildings on the basis of a sequenced movement of people into temporary accommodation, the provision or facilitation of a range of accommodation options in all segments of the housing market, to absorb the poorest of the poor and provide at higher market levels, with a first preference for inclusionary housing, can be diagrammatically represented as follows:

1. Avoid exacerbating the problem & address problem directly. Enhanced management solutions to bad buildings



2. Try to keep the buildings under rehabilitation at one time to a manageable number in line with temporary beds available. Rapidly build required temporary accommodation as decant: 3 000 to 5 000 beds in the next three years to provide enough of a channel to sequence moves into emerging residential options

3. Directly provide or facilitate development of a variety of buildings to cater for needs at all levels of the ladder (50 to 75 000 units). Preference for inclusionary. But some buildings dedicated to very affordable rentals for very poor, and some only for higher incomes



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## D. AREAS OF INTERVENTION

To give effect to this approach the following specific areas of intervention will be pursued (Each of these areas of intervention are further elaborated below).

<b>1. AVOIDING EXACERBATING THE PROBLEM</b>	1. Addressing the problem of bad-buildings directly through better management responses	
<b>2. ADDRESS THE PROBLEM OF THE WORST BUILDINGS THROUGH THE SEQUENCED REMOVAL OF PEOPLE INTO TEMPORARY ACCOMODATION</b>	2. Rapidly develop temporary accommodation as decant, and finalise systems and procedures for sequencing the move of people out of the worst buildings and Inner City informal settlements, into temporary accommodation and from this into alternatives	
<b>3. SCALED-UP DELIVERY IN ALL SEGMENTS OF THE HOUSING MARKET</b>	<b>City-led development</b>	3. Shelters for special needs 4. Emergency accommodation 5. Upgrading hostels 6. City led affordable rental for low income
	<b>Private sector led, City supported development</b>	7. Private sector and SHI led rental for low income 8. Inclusionary housing 9. Overnight and short-stay accommodation 10. Private sector led rental accommodation for middle and upper income households 11. Ownership options 12. Public-private partnerships around area-focused interventions
	<b>General measures to support the better functioning of the housing market</b>	13. Improvement districts in residential areas 14. Other measures to address market constraints

### 1. Addressing the problem of bad-buildings directly through better management responses

The Inner City Regeneration Charter already makes it clear that the City wishes to avoid a

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situation where attempts to address bad buildings simply translate an urban management crisis into a housing crisis. The Charter states:

*"To date the City's response to bad-buildings has often been reactive and has often resulted in a situation where evictions of residents seems to be the only feasible way forward. A new system is required to detect bad-buildings as soon as they start to decline and to proactively deal with conditions in these buildings in an integrated multidisciplinary way that solves root problems."*

The Charter envisages a multi-disciplinary approach to proactively deal with bad-buildings. This proactive approach will necessarily entail a portfolio of different measures that tackle the many facets of the problem. This Housing Action Plan proposes, amongst other things:

- **Combating criminality associated with certain buildings:** The fact that a building is degraded does not automatically signify that it is occupied by criminals. Having said this, certain buildings are routinely associated with the presence of criminals. These may be buildings which even the police are reluctant to enter. It is self-evident that it is extremely difficult to effectively enforce by-laws in relation to such buildings. A systematic scaling up of raids by the SAPS, coordinated with Inner City Law Enforcement Task Team, is required to deal with criminal elements in buildings.
- **Enforcing adherence to by-laws and national regulations:** It goes without saying that a bad building is recognizable by the fact that it does not accord with standards set out in various pieces of national legislation, their associated regulations, and the City's own by-laws. The various pieces of law each specify the standards and determine procedures for inspection and enforcement. There are a number of challenges in ensuring adherence but most of these relate to internal capacity and approach, not external constraints. The City has already begun to make improvements to the systems of issuing notices and following-up. In addition it will: improve communication of relevant by-laws; review by-laws to identify gaps and weaknesses and determine whether a consolidated by-law dealing with buildings such as those in the Inner City is required; develop in-house capacity to enter buildings and effect improvements at owners' expense; and make further enhancements in available staff capacity to inspect and enforce.
- **Countering slumlording and absentee landlords:** A slumlord is commonly understood as an owner or manager of a building that regards the property as a rent-machine, able to generate significant cash flows, where revenue need not be offset by the costs of payments for rates and service charges or the maintenance of the building. In most cases a slumlord is prepared to 'exploit' vulnerable tenants who have nowhere else to go by forcing households to share flats originally designed for single families or even single occupants. Maximum rentals are therefore extracted from each apartment at minimal cost. Under these circumstances the conditions in buildings rapidly decline. In some cases building decline is not the result of the financial choices of slumlords but from the complete absence of any owner or manager. Some Inner City buildings have been abandoned by their owners when tenants, often unhappy with poor conditions, simply stop paying rent. To address these situations will be taking action to lean on slumlords through targeted programmes of dialogue and legal action. In extreme case the City will expropriate the building. It will also upgrade capacity to intervene in landlord-tenant conflicts to re-constitute payment relations.
- **Addressing the hijacking of buildings:** Hijacking occurs when a group seizes control of a

building or individual apartments, often violently, and instructs tenants to start paying into a different account. The Prevention of Illegal Eviction from and Unlawful Occupation of Land Act (PIE) (Act 19 of 1998) makes it a criminal offense for anyone to benefit materially from the unlawful occupation of land. The City will aggressively use this provision in PIE to ensure the conviction of anyone who solicits money from illegal occupation of buildings they do not own.

- **Improving sectional title buildings.** There are some 300 sectional title buildings in the Inner City. Sectional title buildings often present an extreme form of the challenges of non-existent management, and in turn the problems of non-compliance with by-laws and non-payment of arrears. The Sectional Title's Act empowers any creditor to ask a court to appoint an administrator, who assumes, under the authority of the court, all power from the body-corporate and managing agents to restore the building and reconstitute payment relationships. Through the Courts, the City will secure the appointment of administrators to take control of Sectional Title buildings.

## **2. Development of temporary accommodation as decant, and systems and procedures for sequencing the move of people out of the worst buildings and informal settlements**

Measures to address the problem of bad buildings directly should significantly reduce the implied 'demand' for low-cost accommodation that inevitably results from the requirement to move people out of harms way when buildings decay to the point that they are a health and safety emergency. However, it will not be possible to completely avoid the requirement to remove people from bad buildings. In some cases it is simply impossible to upgrade a building while it is still occupied. There are three considerations here:

- **Development of sufficient temporary accommodation.** It is impossible to determine precisely in advance which buildings will need to be vacated because critical health and safety risks cannot be corrected with people still living in them. It is therefore difficult to know how much temporary accommodation as decant is required. However, on rough estimates the City has proposed putting in place between 3 000 and 4 000 temporary accommodation beds within the next two years. Approximately 500 beds are already available in two buildings currently being finalised, namely MBV Hospital Phase 1 and the Old Perm. An additional 1 000 beds will be ready by the end of June 2008, through a targeted effort on the Chelsea Hotel, MBV Hospital Phase 2 and Casa Mia. In addition, the City is working on a further list of buildings to be refurbished in 2008/09 to avail up to 4 000 beds.
- **Sequencing of moves out of bad buildings into temporary accommodation.** The City has a preference for facilitated movement of people out of the worst buildings into temporary accommodation, rather than eviction processes. In April and May 2007 the City launched a process of dialogue with the unlawful occupiers of the Avril Maian building on the corner of Sauer and Commissioner with a view to moving them to alternative temporary accommodation. In this case the process had to be aborted when a private sector developer bought the building and instituted eviction proceedings, but before this occurred a precedent for basic procedures had been set. This includes the taking of a register of occupants to determine eligibility; dialogue with occupants on the City's intentions and their options; and a voluntary vacation of the building co-ordinated by the City and at the City's cost. A similar process is now being followed with a group of youth unlawfully occupying Governor's

House, opposite the Constitutional Court. Only if the occupants refuse all options offered to them will an eviction application be brought.

- ***Movement out of temporary accommodation into suitable alternative permanent accommodation.*** The City recognises that when it disrupts the tenure of people living in the worst buildings and moves them to temporary accommodation, it becomes responsible for them (even though they may have been living in the bad building unlawfully). At a token rental, the City will house people in its temporary accommodation until suitable alternative permanent accommodation can be found. At the point at which the residents leave the City's temporary accommodation, they cease to be the responsibility of the City. Even if they move on to permanent accommodation options in buildings that are owned by the City, their tenure in those buildings will be governed by normal contractual relationships between landlords and tenants, and they will have to contract formally with the manager of the building (a private operator, the City's own social housing company Joshco, an NGO, etc). It is neither desirable, nor financially or technically feasible, for the City to become permanently responsible for housing people, at little or no cost, who were previously unlawfully occupying buildings. That said, it is recognised that this principle raises supplementary responsibilities for the City to ensure (a) that people can be moved to permanent accommodation in a way that does not accentuate their vulnerability, and therefore in turn (b), that there is enough housing being built in or near to the Inner City that can cater for the full range of affordability levels.

The inner city has four significant sized informal settlements comprising an estimated 2 500 dwellings, and approximately 15 other places where small-scale 'shack farming' has been identified as occurring. These informal settlements are currently being investigated to determine whether a form of in situ upgrade can be contemplated. In particular it may be possible to develop the settlements adjacent to the major hostels as part of the current process of hostel upgrading. In general, however, it is likely that residents of informal settlements will have to be managed in the same way as residents of bad buildings, through a consultative process of facilitated movement into temporary and then permanent accommodation.

### **3. Shelters for special needs**

There are already a range of shelters within the Inner City currently being managed by NGO's or faith based organisations, targeting various vulnerable groups. These include street children, cross-border migrants, the chronically homeless, and abused women and their children. Many of these shelters are stable operations that provide excellent service. They warrant additional support from the City. However, it is also recognised that the current provision of shelters is inadequate to address the increasing need for such accommodation within the City.

Given the increasing need for this type of accommodation a number of shelters will have to be built over the next few years. Whilst the City currently wishes to directly implement one or two priority projects immediately given the relative urgency, it recognizes that many of the shelters would need to be initiated and managed by NGO's with support from the City.

The Community Development Department within the City of Johannesburg has initiated investigations into the provision of shelter and is currently conceptualising a City response to supporting such accommodation. In particular it is currently investigating potential buildings within the Inner City to serve as a shelter for migrants, which may work as a back-end facility to

accommodate desperate people presenting themselves at the City's migrant help desk launched in April 2007.

A new drop-in centre and sanctuary for street children is also being investigated. This sanctuary will provide wash facilities and meals for the street children with more permanent accommodation being provided outside the inner city for those seeking an alternate life to living on the streets.

Shelters however cannot provide permanent accommodation for people. It is anticipated that the duration of the stay will be between 3 days to a week. However it is critical that by the end of the stay the relevant persons are able to access other forms of safe accommodation within the City, or they will resort to sleeping on the street or in bad buildings.

#### **4. Emergency accommodation**

The development of temporary accommodation as decant facilities contemplates the need to temporarily house people who have had to be moved out of bad buildings that are a critical health and safety risk. Once they are in this facility the City will work to find them permanent alternative accommodation that suits their needs and affordability thresholds. In addition, however, a stock of emergency accommodation is required in order to cater for people affected by potential disasters, such as when a building actually burns down.

The response to emergency situations in the City of Johannesburg has been varied across regions and has been skewed due to differing resources and access to facilities. Some regions have utilised Council facilities such as sports and recreation amenities or community halls. In other regions shelter for people affected by disasters and emergencies has been provided by non-governmental organisations and religious organisations that are mainly involved in transitional housing accommodation.

Recognising the need for accommodation in emergency situations the City worked in 2005 to convert the Europa Hotel to both transitional and emergency accommodation. Europa House, as it is now renamed, is able to accommodate some 100 people in the emergency shelter portion of the building. This provision is deemed insufficient to cater for possible disasters affecting large buildings.

The Inner City Housing Plan therefore envisages the scaling up of the available emergency accommodation within the City. It is proposed that within the next five years approximately 1500 beds will be available within the Inner City for emergency purposes. Disaster management guidelines provide for emergency accommodation to be available for approximately 72 hours although in some instances the length of stay has been extended to 14 days. This form of accommodation will predominately be characterised by a dormitory style environment with shared facilities. The City will not be responsible for re-housing of people affected by the disaster unless under exceptional circumstances.

#### **5. Upgrading of hostels**

There are six public hostels and three staff hostels within the Inner City and immediately surrounding areas. The public hostels are owned and managed by the Gauteng Provincial

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Housing Department. Consultants have been appointed by the Province to develop business plans for the development of the hostels and, where relevant, the surrounding informal settlements. These business plans would propose the development model, designs, funding implications, timeframes for development as well as the institutional arrangements.

The staff hostels have been transferred to the Johannesburg Social Housing Company (Joshco) for management and conversion. The conversion of Van Beek Hostel to family accommodation is nearly complete and the conversion and development of the City Deep Hostel has already commenced. Planning for Selby Hostel is currently being undertaken and the conversion will likely commence in the 2007/08 financial year depending on the availability of funding.

A significant aspect of this intervention is to ensure that once redeveloped or converted the buildings will no longer be characteristic of hostels but rather affordable rental accommodation for both single people as well as families. In addition the allocation process will no longer be limited to council staff but will be open to communities requiring rental accommodation.

Addressing the problems associated with public hostels will be significantly more challenging. Additional accommodation outside the hostel precinct is required to accommodate households from the surrounding informal settlement as well as displaced hostel residents as a result of the conversion process.

A further challenge will be to ensure that the accommodation provided is affordable given that the rentals that were previously charged at hostels were minimal, in some instances as little as R27 per month.

#### **6. City led affordable rental for low income**

It is recognised that the private sector is not supplying enough rental accommodation to cater for those with very low or sporadic incomes. An increase in supply at the lowest rental levels is essential to provide suitable alternative permanent accommodation options for those residents to be moved out of temporary accommodation decant facilities.

The current City owned rental accommodation in the inner city is minimal, comprising less than 1% of the total formal rental housing units that have been provided to date. However, the City is already scaling up its interventions in this area. Current new initiatives in this market include the refurbishment and conversion of the BG Alexandra Building by the Johannesburg Social Housing Company (Joshco). This project is a joint venture between Joshco and Madulamoho Housing Association. Phase 1 of the project entails the provision of 228 rooms with shared communal facilities. Construction on this project started in January 2007. The City's Housing Department is also currently leading the redevelopment of the Hospital Hill building as part of this initiative.

This intervention will be targeted at households that can afford to pay rentals of between R200 – R600, and possibly up to R900 per month. To provide for this level of affordability the typical product that can be developed are rooms with shared communal facilities.

The new national Community Residential Units programme provides an opportunity to upscale and consolidate City led interventions for affordable rentals. This programme allows for the refurbishment and conversion of existing buildings as well as for the development of new builds

by providing for capital costs within prescribed rates. Acquisition costs of buildings or land however is not accommodated within this programme. For the implementation of this intervention a considerable number of buildings from the Better Buildings Programme is therefore required.

Although the City is identified as a key driver of this housing intervention there would need to be much engagement with the NGO sector, especially regarding the management of such accommodation. Additional management capacity from the private for-profit sector can also be recruited, however this may require additional operational funding that would need to be subsidised by the City.

## **7. Private sector and SHI led rental for low income**

To date social housing developments within the Inner City have provided just over 8% of the formal rental housing stock. This stock has not necessarily targeted low income households and has resulted in criticisms being levelled at the social housing sector for an inability to deliver to the poor. The rental stock typically provided target households able to afford rentals of between R900 through to R1 800 – 2 500 per month.

The social housing programme has been enhanced by the introduction of social restructuring grants that provides for greater depth in the reach of the social housing sector to address the rental housing needs of lower income households. The Inner City has now been approved as a restructuring zone by Council and could potentially attract significant subsidy funding from government. A co-ordinated application for funding from a number of social housing providers has already been facilitated by the City's Housing Department.

In addition to social housing institutions, private sector companies can also access the subsidies and grants thereby increasing the pool and delivery capacity for social housing. It is worth noting that in some instances the private sector has been able to demonstrate an ability to respond to this low income market, with some players seeing this as an untapped niche market with innovative specialised products. In some cases this has been possible through cross subsidisation in mixed developments with little or no support from government. These efforts are to be applauded and will be supported.

## **8. Inclusionary housing**

The Inner City Regeneration Charter has already elaborated the City's preference for inclusionary housing as an approach to residential development in the Inner City. This does not warrant being repeated here. The Charter also listed a range of possible measures that the City is considering introducing in order to incentivise private sector developers to do inclusionary housing. A financial model has been developed to project the impact of these incentives on the viability of the development, the affordability of the units to be offered to the poor within these developments, as well as the City budget.

Most of the inclusionary housing support measures listed in the Charter contemplate the development of studio apartments or rented rooms as a defined proportion of the building. Differentiation of rentals charged would then be on the basis of property size, not income of occupants.

However, in addition to the list of measures proposed in the Charter the City is also investigating the feasibility of introducing a form of rent subsidy that would encourage inclusionary housing within normal apartment blocks of single or two bedroom apartments. Under this arrangement the City would take out a lease for a number of units in a privately owned and privately run building, and sublet to tenants. The landlord would collect a portion of the rent from the tenant, but would receive the remainder from the City as the primary lessee. This would enable the City to subsidise the occupancy of lower income residents into decent full-sized apartments. Under this arrangement the subsidy would reduce over time, with the difference between the subsidised amount and the full market rental being progressively taken up by the tenant. This is therefore a measure that anticipates the full integration of the occupant into the economy, and is therefore most suitable for lower wage workers, security guards, teachers, informal traders etc, whose incomes are likely to rise over time. Strict conditions would be set on the tenants and developers accessing the subsidy. The possible operation of a rent subsidy model is illustrated over-page.

This option is currently being further investigated and explored with a range of stakeholders.

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Year	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16
	2008/9	2009/10	2010/11	2011/12	2012/13	2013/14	2014/15	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23	2023/24
Number of rent subsidised units built in year	500	1,000	2,500	3,000	3,000											
Total number of rent subsidised units	500	1,500	4,000	7,000	10,000	10,000	10,000	10,000	10,000	10,000	10,000	10,000	10,000	10,000	10,000	10,000
Rent subsidy per unit per month in year 1																
Rent subsidisation per annum escalation for NEW units	1,500	1,620	1,750	1,890	2,041											
Rent subsidy per unit per month for NEW units before de-escalation	18,000	19,440	20,995	22,675	24,489											
Rent subsidy per NEW unit per annum before de-escalation																
De-escalation in rent subsidy after year x for units built x years previous																
x = years before subsidy starts to de-escalate																
Rent subsidy per unit per annum after de-escalation for units built in 2008/9	18,000	18,000	16,200	14,580	13,122	11,810	10,629	9,566	8,609	7,748	6,974	6,276	0	0	0	0
Rent subsidy per unit per annum after de-escalation for units built in 2009/10		19,440	19,440	17,496	15,746	14,172	12,755	11,479	10,331	9,298	8,368	7,531	6,778	0	0	0
Rent subsidy per unit per annum after de-escalation for units built in 2010/11			20,995	20,995	18,896	17,006	15,306	13,775	12,397	11,158	10,042	9,038	8,134	7,321	0	0
Rent subsidy per unit per annum after de-escalation for units built in 2011/12				22,675	22,675	20,407	18,367	16,530	14,877	13,389	12,050	10,845	9,761	8,785	7,906	0
Rent subsidy per unit per annum after de-escalation for units built in 2012/13					24,489	24,489	22,040	19,836	17,852	16,067	14,460	13,014	11,713	10,542	9,487	8,539
Total annual rent subsidy for rental units built to date (millions of Rands) to be carried on City's operating budget	R 9.0	R 28.4	R 80.0	R 145.3	R 211.0	R 197.3	R 177.6	R 159.8	R 143.8	R 129.4	R 116.5	R 104.8	R 91.5	R 76.3	R 52.2	R 25.6
Total rent subsidy commitment: R billion over life of programme to 2025																



## **9. Overnight and short-stay accommodation**

Some overnight and short stay accommodation is required, either of a general purpose variety for people who are newly arrived in the City or for special purpose needs, most notably for informal traders who trade in the Inner City sporadically and for cross-border shoppers.

Limited City support is envisaged, but the City will encourage the re-opening of hotels across the price range as part of urban regeneration processes. More proactive support will be linked to economic development interventions to support informal trading or cross-border shopping. For example, the Cross-border Shopping Association has been exploring sites for an Inner City 'campus' catering to accommodation and storage needs of migrant traders. Such efforts will be supported where possible.

## **10. Private sector led rental accommodation for middle and upper income households**

While ensuring that the private sector can build accommodation suited to middle and upper income residents is not the primary focus of the City, it remains important in order to release pressure on accommodation better suited to lower-income earners. Meeting of demand in the higher income brackets will therefore moderate prices at the lower levels over time. Ensuring that this market works well is also important to ensure that the Inner City does not become a dormitory for the poor. Since this market segment is more stable and expansive when it can attract good tenants, City will be open to partnerships with key developers to revamp parks, develop public open space, and address urban management problems. This will help to ensure that a true mixed-income Inner City translate into a quality urban environment that the poor can also enjoy.

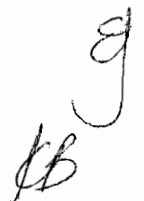
Support for private sector development will be primarily concentrated on ensuring that the market can operate effectively, primarily by removing City blockages to smooth market operation. Specific attention will be given to smooth issuing of clearance certificates; opening of accounts; timeous water and power connections; correct categorization of the property in the billings system, etc

## **11. Ownership options**

While not necessarily preferred, ownership rather than rental puts wealth in the hands of the poor and promotes responsibility towards upkeep of buildings. Some private sector players are promoting innovative share-ownership options and rent-to buy models used in Europe.

In one development in Hillbrow the following model is being applied on a pilot basis:

- Fiat worth R100 000
- Typical levy of R800pm and a rent of R1 800pm
- Owner of building sells tenant 25% share of flat for R25 000.
- Tenant pays R2 500 deposit and borrows R22 500 from owner. Then pays:
  1. 25% of the levy = R200
  2. Monthly installment on the loan = R250 (R3000 per year)



- 3. 75% of the rent = R1200.
- Total combination rent, levy and installment of R1 650pm
- Each year the tenant/owner increases share of the flat at the market value, and in time would be able to walk away with R25 000 plus value gain on property.

The City will further explore and popularise these sorts of models.

The City is also further investigating the possibility of applying provincial housing subsidies as give-away housing in Inner City buildings.

## 12. Public-private partnerships around area-focused interventions

The City has already developed the Bertrams Neighbourhood Regeneration Strategy which proposes a large-scale housing intervention to deliver some 5 500 residential units (new build 3 646; rehabilitation 1 927). This strategy was approved at the City's Mayoral Committee in May 2007, and expropriation of targeted properties has already begun. The estimated total cost of the project is R 1.027bn. The majority of this financing will come from private sector, with the City carrying R190 million bridging finance and R 35 million rates arrears write-offs. A proposed institutional arrangement for delivery is through special purpose vehicle with the Trust for Urban Housing Finance.

This approach sets the tone for other possible large-scale area focused interventions. The following are possible.

- **New Doornfontein 'Manufacturing Hub'**: Part of Greater Ellis Park Precinct. The GEPP development plan identifies area around Beacon Road as a 'manufacturing hub', but significant numbers of properties are already being converted by the private sector. This 'manufacturing designation' will be re-visited with a view to assessing potential for more mixed use, including conversion of factories and warehouses into single rooms with communal facilities. Simultaneous development of social facilities should be incorporated into the project development to ensure operating neighbourhoods from the outset.
- **Jeppestown**: The Jeppestown area is notable for its relatively low density housing in a mixed-use neighbourhood. The City and Provincial Government both own large amount of property and Council Flats, in particular around the Jeppe Oval. Situated on a main transport route to the CBD, it is well located, and clearly an area in transition. It has the potential for a neighbourhood-building based transformation, with innovative urban design that includes development of new public open space, social facilities and housing densification.

## 13. Improvement districts in residential areas

The Inner City Regeneration Charter highlights the importance of stabilising residential neighbourhoods through tailored improvement districts. Private sector driven experience with improvement districts in residential areas highlights the importance of these interventions to empower both owners and tenants to develop and maintain their neighbourhoods. Stabilised neighbourhoods automatically attract more investment in residential developments.

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#### 14. Other measures to address market constraints

Additional support measures will be targeted at prospective tenants who can pay, but who face barriers to entry, or those with sporadic incomes who are seen as a credit risk by building owners. Because they can't get into good buildings, many people who otherwise could afford to live in decent buildings with a little assistance end up in the hands of the slumlords. Four particular areas are currently being investigated:

- **ID documents.** While foreign migrants in the country illegally must be handled through normal home-affairs processes, a grey area is presented by asylum seeker, refugees and those who have applied for permanent residents but have not yet received papers. Foreigners on student and work visas also struggle with the fact that their legitimate presence is not recognized by building owners. The City will work to inform developers and property owners of the rights of these categories of migrants, and to clarify their legitimate ability to contract for suitable housing.
- **Deposits.** Some buildings require deposits of up to 3 months rent, plus a first months rent. This is often beyond the means of people who would otherwise be able to afford an average monthly rental. The City will explore a possible micro-loan solution to this challenge.
- **Sporadic incomes.** Some residents employed as informal traders or elsewhere in the second economy make reasonable average incomes over a year, but struggle to make fixed monthly rents because their incomes can vary dramatically on a month to month basis. The City is investigating options to assist tenants to smooth payment pressures over a year.
- **Social package.** As outlined in the Inner City Regeneration Charter the City will be introducing a revised social package in July 2008. This will enable tenants to benefit from subsidised basic services that in the past often only benefit home-owners with accounts with the City.

#### E. PRELIMINARY ASSESSMENT OF BUILDING REQUIREMENTS

INTERVENTIONS	RENTAL TARGET	POTENTIAL DEMAND (60 000 units)	BUILDINGS REQUIRED (existing or new)
Shelters	R0 – R90 per night	1 500 beds	300 beds per building – 75 units per building  <b>5 buildings required</b>
Emergency Accommodation	R0	1 500 beds – 375 units	300 beds per building – 75 units per building  <b>5 buildings required</b>
Temporary Accommodation as decant	R150 per bed	4 000 beds – 1000 units	300 beds per building – 75 units per building

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			<b>14 buildings required</b>
<b>Upgrading of hostels</b>	TBA once business plans are completed		
<b>City led affordable rental for low income</b>	R200 – R600 per month	12 000 units	50 units per building <b>240 buildings required</b>
<b>Private sector and SHI led rental for low income</b>	R900 – R1800 per month	12 000 units	50 units per building <b>240 buildings required</b>
<b>Inclusionary housing</b>	20%: R600 – R1200 80%: >R1800	3 600 units 14 400 units Total 18 000 units	50 units per building <b>360 buildings required</b>
<b>Overnight and short stay for special interests (eg cross-border migrants)</b>	<R35 per night	600 units	100 units per building (single-occupancy likely) <b>5 buildings required</b>
<b>Private sector led rental accommodation for middle and upper income (including rent-to-buy schemes)</b>	R 2000 per month	12 000	50 units per building <b>240 buildings required</b>
<b>Promotion of new ownership options above current sectional title buildings</b>		3 000 units	50 units per building <b>60 buildings required</b>