

Developers Await Final Decisions on Inclusionary Housing Policy

After months of waiting, South African developers will soon be hearing the final outcome on the national housing department's policy on inclusionary housing.

The proposed final draft of the government's policy on inclusionary housing is currently being negotiated between the housing department, commercial property association SAPOA (South African Property Owners Association) and other industry stakeholders, and its results are imminent.

Inclusionary housing refers to government ordinances that require a given share of new construction and development to be made available to low and lower-middle income groups. Taking the form of a mandatory or voluntary ordinance, many cities internationally subscribe to inclusionary housing policies and include countries throughout Europe, the UK, the USA, Canada, Australia, Malaysia and China.

Two approaches have now been proposed for South Africa — namely a voluntary, proactive deal-driven approach that would generally be applied to state-owned land, and a town-planning compliant approach to private land at the level where developers engage with municipalities for re-zoning applications.

Erwin Rode of property valuers and economists Rode & Associates welcomes the two-pronged approach, “particularly compared to the fixed percentage which the government had been adamant about implementing a year ago, and which had caused an uproar among developers throughout South Africa.”

The government was originally looking at imposing a fixed 20% to 30% of units to be set aside for inclusionary housing. The discussions surrounding the new policy date back to the Housing Indaba held in Cape Town in September 2005, which included representation from the government, banks, property developers and the private sector in general, and during which it was agreed that a policy had to be formulated to accelerate the delivery of housing in order to address the massive backlog in both the rental and ownership markets.

Affordable housing has been defined as the range between the cost of an RDP house (at around R50. 000) to the top of the “affordable housing range” (defined at around R300.000). Rental housing is in turn seen to be in the range of R500 to R2.500 per month.

Regarding the on-selling of inclusionary housing to ensure that owners from the same income brackets continue to qualify for the property, it has also been proposed that units resold during the first ten years after construction may only be sold at the original price plus construction inflation. Only after 10 years from date of development would a unit be available for sale at market-related prices.

Outlining how the two approaches would work — voluntary versus the town-planning compliant policy — housing director-general Itumeleng Kotsoane explained that the voluntary approach would be applied to state-owned land, currently belonging to parastatals and government agencies, which would be set aside for housing developments and made available to developers on condition that the developer set aside a percentage for low-income housing.

In the case of the town-planning approach to privately owned land, Kotsoane noted that the policy would be applied in cases where a developer wanted to change the zoning of land from, say, agricultural to residential, in which case the developer would be required to implement inclusionary housing in the new scheme.

Various incentives are also currently being discussed in the form of tax benefits; however, the exact nature of these incentives is yet to be announced.

Rode says government should tread carefully to avoid unintentionally turning off the new-supply tap. The effect might be prices of existing houses shooting through the roof. “After all, no developer will commit to a deal with the authorities knowing full well that his project will not sell,” says Rode.”