Urban LandMark

making urban land markets work for the poor

REPORT BACK ON THE INCLUSIVE AFRICAN CITIES CONFERENCE

CONTENTS

Page 1
Report back on the Inclusive African Cities Conference

Page 2
Inclusionary housing: draft legislation is hotly debated

Page 3
Inclusionary housing continued

Rising SA land prices still affordable by international standards

Council "undersold land by millions" to developers

Page 4
City evictions necessitate appropriate inner-city housing models

Johannesburg counts its properties

Urban LandMark is a programme of DFID Southern Africa.

To subscribe to this newsletter please register on our website or contact us at:

Tel +27-12-342 7636

Fax +27-12-342 7639

Email: info@urbanlandmark.org.za

Website http://www.urbanlandmark.org.za/

The Inclusive African Cities Conference was held on 6 and 7 March at the University of the Witwatersrand (WITS). Attended by 158 international and local delegates, the conference explored urban inclusion and exclusion through the key themes of material inclusion, constructions of urban citizenship in everyday lives, and emerging experiences of inclusion in African cities. The prevailing picture emerging from the conference was one of rapid urbanisation, and in particular the influx of poor migrants to cities who find themselves excluded from the very services and opportunities that drew them there in the first place.

The conference dealt quite extensively with informal mechanisms and strategies employed by the urban poor to foster a sense of inclusion in urban spaces and carve livelihood niches within a restrictive urban infrastructure and resource environment. The need to recognise and integrate informal institutions into pro-poor urban planning was highlighted from a variety of perspectives, including the need to address policy weaknesses in the utilization of formal and informal market linkages. Mark Napier of Urban LandMark, described the variety of ways in which the urban poor access land and accommodation in the face of state failure to enable it, and underscored African efforts to exploit the possibilities of informal mechanisms, as well as public-private partnerships, towards improved access to urban land.

A further key concern revolved around issues of voice, citizenship and participation. Steven Friedman, research associate at the Institute for Democracy in South Africa, emphasised the need to develop effective spaces and mechanisms for unleashing the "voice and voices in the city" towards full participation. Loren Landau of the WITS Forced Migration Studies Department in turn stressed that the parameters of inclusion go beyond formal relationships of citizenship, pointing to the need for an integrated approach to urban inclusion. Children were also raised as important participants, and as agents in the nurturing of future citizenship and voice.

Methodologically, the need to unpack the notion of an inclusive city was stressed by Belinda Bozzoli, Deputy Vice Chancellor Research at WITS, as well as the need to address tensions between the visions of social scientists and the realities of city planners. The use of qualitative approaches, such as narrative analysis, to unpack the social and material complexities of urban spaces, emerged as a key feature of research towards inclusive African cities.

The organizers hope to develop, through synthesis of conference material, concrete criteria and common indicators for inclusion to be published in a book.

INCLUSIONARY HOUSING: DRAFT LEGISLATION IS HOTLY DEBATED

The Draft Proposal on Inclusionary Housing put forward by the Department of Housing has stirred widespread debate among key property players. Extensive media coverage of the issue has further intensified public participation and concerns over the process of finalising the legislation.

The Draft Proposal puts forward integration in urban housing development through the application of legislation obliging private developers to set aside a percentage of the development costs towards generating affordable housing within the same developments as middle- and upper-income homes. A proposed figure of 20% of development costs for low-cost housing has been on the table for some time, but the latest proposals suggest a figure of 30%, leading to intensified concerns among some developers.

Opponents to the Draft Proposal have argued that the kind of inclusionary housing approach suggested is an unrealistic attempt at integration in conflict with market principles, and a threat to the local property market. Butch Steyn, DA spokesperson for housing, has categorised the move as forced integration, and criticised the Draft Proposal as a transfer of government responsibility onto the shoulders of the private sector. Erwin Rode, property valuator and Rode & Associates economist, has warned that the Proposal represents blatant interference with market forces by government, and has argued that high property prices in conjunction with much smaller profit margins for low-cost housing would force developers to subsidise the cheaper houses, effecting a greater tax burden on a small component of taxpayers (Property24.com, Monday 12 February, 2007). Rodes has further argued against the rationale of the Proposal that the inclusionary housing would assist lower-income families in accessing the property market in urban areas, contending instead that existing property prices would sharply increase, further constraining the upcoming middle class' access to urban property. He has advocated instead that government free up land specially dedicated for low-cost housing units (Property24.com, Monday, 12 February, 2007).

"The inclusionary housing suggested has been dubbed forced integration by some"

Proponents of the Draft Proposal, on the other hand, have argued that the move is a necessity not only to address the critical issues of urban poverty and access, but also in light of the current and future impacts of socio-economic and related spatial segregation. The Property Investor (Thursday 1 March, 2007) has issued an online statement that proactive social integration is considered to be essential in forming part of the urban housing solution. They have indicated that, from the perspective of Property Investor, the "inefficiency of dormitory/edge city housing is not sustainable albeit an inevitable part of our urban landscape into the future".

They have further contended that pockets of mixed income estates dispersed throughout the city offers a more viable alternative than the ensuing urban sprawl anticipated without state intervention into the property market. Property Investor has, however, stressed its awareness of important caveats to the process, including the need for a sound methodology for achieving inclusionary housing, adequate supporting amenities in partnership with state and local government, and quality precinct urban design (Eprop/Property Investor, Thursday 1 March, 2007).

While debate still rages around the merits of inclusionary housing, one developer has embraced the concept through the instigation of a mixed housing project in Fairland, north west Johannesburg (News24.com, Wednesday 28 February, 2007). The "Jerusalem" project will see lower-income earners living side by side with more affluent homeowners, with 187 houses being built on 9.3ha of council owned land and 30% of the development cost being committed to social housing units. The social housing units are expected to be rented out at between R1500 and R3000 per month, by families earning between R3500 and R7000 per month. The remaining units will be sold at around R1.5m. The contract was awarded to Crowzen, a joint venture between black-owned property development company Crowie Projects and ZenQ. Alan Dinnie, project manager to Jerusalem, has indicated that, should sales run as anticipated, construction will begin in July. (cont.)

"Inclusionary housing is regarded by others as a necessity to address critical issues of urban poverty and access"

Anthony Forgey, Crowzen development manager has also pointed out that despite common perceptions, while subsidisation of social housing units would be necessary, the company would not inflate prices of the more expensive units to do so, and still anticipated a fair profit. Dinnie has also stressed the importance of community buy-in to the process. While local residents expressed great concerns over the proposed development in the beginning, negotiations among concerned parties have led to an agreement on development parameters for the site. The Jerusalem project has received relatively extensive media coverage, as a positive example of creative property development and community-wide negotiations towards effectively embracing inclusionary housing (News24.com, Wednesday 28 February, 2007).

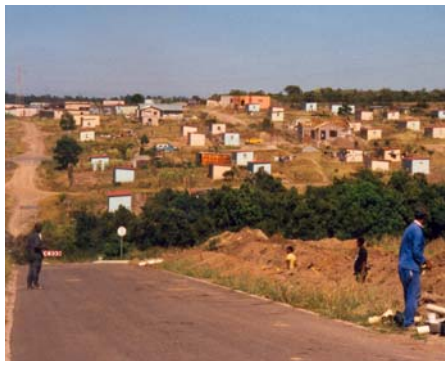
LOW COST HOUSING PROPOSALS FOR SUBURBAN TSHWANE

Proposals to establish low-cost housing in Tshwane suburbs have been suspended pending a public participation process. The sustainable settlement strategy and housing densification plan, aimed at reducing the city's housing backlog, identify three zones for densification, namely:

- Linear zones: highly active areas located along major public transport routes
- Suburban densification zones: existing low density areas with potential for moderate densification via sub-divisions, cluster housing etc.
- Low density zones: mostly single stands

In response to the controversy generated in reaction to the proposals, executive mayor Dr Gwen-Ramokgopa stressed in a media briefing in January that the council's intention was not to extend informal settlements to suburban areas, but rather to develop appropriate low-cost houses. She noted that this would have a significant impact on households for whom transport expenses are currently an undue burden. She further acknowledged that a long-term development plan was needed to prepare for the expansion of the city beyond its borders.

(Pretoria News, Friday 26 January 2007)



RISING SA LAND PRICES STILL AFFORDABLE BY INTERNATIONAL STANDARDS

The most expensive land sales on record in Johannesburg were documented at the end of January this year. The record sales involved the acquisition of approximately 2.8ha of prime land in Sandton central business district for more than R140m. Yet property experts insist that, by international standards, the price fetched as a percentage of development cost was still relatively low. Dave Russel, a director at office and industrial brokers Baker Street Properties in Cape Town, noted that while the land value component as a percentage of the cost of new development in London is close to 50%, in South Africa it is only 10-15%.
Marc Wainer, executive director of Madison which asset-manages three major listed property companies, agrees, observing that Australia and Canada also experience higher property costs as a percentage of development costs. However, Wainer also stresses that building costs in these countries are lower. South Africa experiences annual building cost increases of around 25%, which in conjunction with increasing land costs could lead to developers being forced to ask more for development than the market is willing to pay.

(Nick Wilson, Business Day, Friday 2 February, 2007)

COUNCIL "UNDERSOLD LAND BY MILLIONS" TO DEVELOPERS

A case of possible underselling of land to local developers by the Johannesburg Council is being investigated. According to the Sunday Times (13 February 2007), the council sold a portion of the Liefde en Vrede farm, south of Johannesburg, to a developer for R12 403 per hectare, while the going price for the same land had been closer to R400 000 per hectare three years ago. The land could have fetched a total of as much as R28 000 000 in contrast with the R870 000 for which it was sold, spelling losses for the council. While director of Patroni Investments, Rory Sheahan, who bought the land insisted that the deal was "100% legal", following all standard procedures and requirements, other councillors called for a probe in February this year. Sheahan said that the council had obtained its own valuation for the land before the sale, while the council said in writing that the land had been valuated by an official valuer. With a lowered value, the land might have been better suited to use for affordable housing.
(Sunday Times, Tuesday 13 February, 2007)

CITY EVICTIONS NECESSITATE APPROPRIATE INNER-CITY HOUSING MODELS

Court Rules in Favour of Evictions but not without alternative accommodation

The Supreme Court of Appeal (SCA) has upheld an appeal by the City of Johannesburg to remove the approximately 300 residents of two inner-city buildings due to health reasons and other dangers. While the High Court ruled in favour of the residents in March last year, Appeals Judge Louis Harms said in the SCA judgement that the city's notice to vacate due to fire and other health hazards was neither unconstitutional nor otherwise unlawful. The obligation of residents to vacate was ruled not to be dependent upon their being provided with alternative accommodation, although the SCA has also ordered the city to offer evicted residents relocation to a temporary settlement area with basic resources and services. This relocation would not, however, need to be within the inner city area as demanded by residents, the judgement held. Centre for Applied Legal Studies researcher, Stuart Wilson, responded to the judgement by noting that transport costs for affected residents from settlements far from the city centre would prove too high, with "disastrous implications for the survival strategies of many families". He said that while "the judgement constitutes a partial victory for the inner-city poor… we are concerned that the judgement does not go far enough in protecting the occupiers of so-called 'bad' buildings in the Johannesburg inner city centre".

(Mail & Guardian Online, Monday 26th March 2007)

"The city's notice to vacate due to fire and other health hazards was ruled neither unconstitutional nor otherwise unlawful"

New Endeavour to Develop Low-cost Inner-city Housing

In a related story, the City of Joburg Property Company is aiming to address some of the challenges posed by inner-city evictions and the need for low-income inner-city housing. It has asked the city council for R40m to develop more than 1000 rental units, with shared kitchen and bathroom facilities, in the inner city in the next two years. At a cost of about R30 000 - R50 000 per unit to build, Geoff Mendelowitz, Programme Manager for the Better Building Programme, says that this project would help to make rental accommodation more affordable.

Approximately 82 000 people in the city do not earn enough money to qualify for social housing, living in overcrowded and unsafe conditions in inner-city buildings that are closer to their places of work.

(Housing Market Bulletin, Volume 2, Issue 8)

"Approximately 82 000 people in the city live in overcrowded and unsafe conditions in inner-city buildings that are closer to their places of work"

JOHANNESBURG COUNTS ITS PROPERTIES

Land regularisation, involving auditing, verifying and transferring urban land to previously disadvantaged individuals, is happening for the first time in Johannesburg's history. According to John Olivier from Akanya Development Solutions, a company contracted to oversee this regularisation process, formalising council-owned property will act as a catalyst for freeing land for the homeless and encouraging investment in underdeveloped areas.

The land regularisation process has two principle components, according to the Johannesburg Property Company (JPC). The first involves an audit of all council-owned property, including the identification of vacant properties.

The second involves the implementation of a land release strategy, which aims to assist legitimate beneficiaries in legally accessing property by transfer, and also includes the identification of properties for release to public tender or withholding for public investment.

Thus far, all council-owned properties in Soweto have been audited.

(Ndaba Dlamini, CoJ website, Wednesday March 7, 2007)