

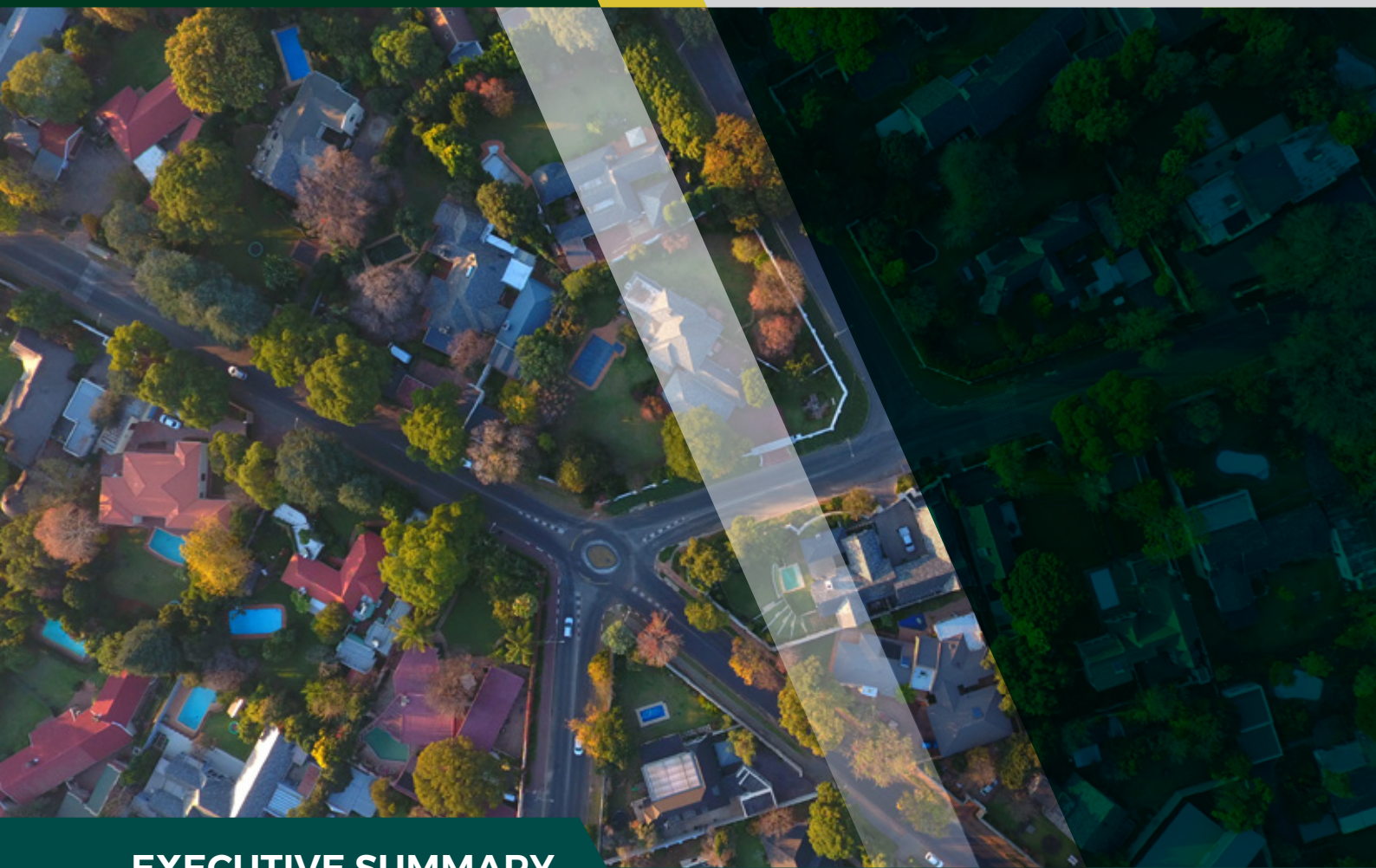


For an Equitable Sharing
of National Revenue

POLICY BRIEF 5

**ALIGNING URBAN HOUSING SUPPLY AND
THE UNHOUSED URBAN POPULATION**





EXECUTIVE SUMMARY

The populations of major cities are increasing at an alarming rate mainly as a result of urbanisation.

This growth presents challenges to aspects of city management, including the additional housing required to accommodate the growing number of unhoused city dwellers. Human settlements is one of the sectors affected by urbanisation, as households that have moved to the cities have to be provided with adequate and decent housing. To understand the extent of unhoused households in South African metropolitan municipalities, the Financial and Fiscal Commission undertook research on the extent of the housing gap by comparing urban housing supply with the unhoused urban population.

The research also reviewed challenges with respect to housing funding programmes, particularly the Finance Linked Individual Subsidy Programme (FLISP). The study revealed that while housing gaps exist across all

household income groups, this is most pronounced for those households earning less than R9 000 per month, while qualifying beneficiaries who are single and without dependents are excluded by FLISP.

The study also found that there is a weak alignment of plans and programme implementation between provincial departments of human settlements and other key departments. The Commission recommends that the Department of Human Settlements should undertake a review of the FLISP, to find ways of ensuring that qualifying beneficiaries, who are single and without dependents, are not excluded. The Commission further recommends that the provincial departments of human settlements and other key departments, including the provincial departments of basic education and transport, align their infrastructure delivery plans particularly for new human settlements development.

BACKGROUND

Housing policy and funding have evolved since 1994 in attempts to address housing needs. While measurable progress has been made with respect to the provision and condition of housing, backlogs remain particularly within the metropolitan municipalities. Apart from natural population growth, in-migration and immigrants from other countries, housing needs are exacerbated by higher urban population growth rates. It follows that as urban populations increase cities experience a shortage of habitable residential housing units leading to overcrowding, poor living conditions and homelessness.

The mushrooming of informal settlements and households residing in inadequate housing conditions are indicators of the extent of housing needs and affordability issues. Informal settlements and backyard rentals are common in cities. They are areas of reception for many households when they arrive in cities and search for job opportunities that will enable them to move to better residential structures.

Metropolitan municipalities have been growing at more than the national average since 2001. Growth with respect to the number of households in metros implies the need for additional housing stock to match it. However, this growth has been accompanied by a decrease in the percentage of new properties produced and registered. This indicates a gap between the percentage growth in households and the percentage growth in housing delivery.

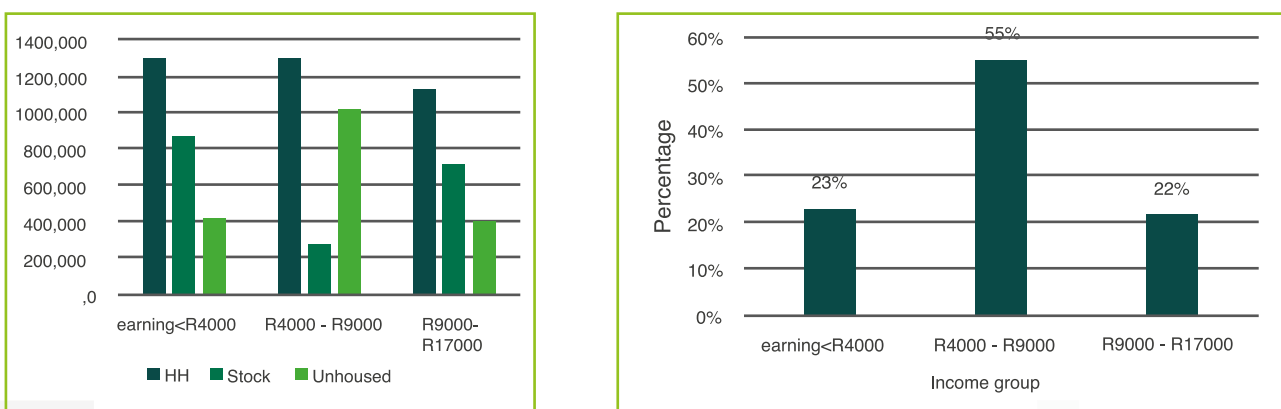
Policy interventions, such as the introduction of the Finance Linked Individual Subsidy Programme (FLISP), for those earning too much to qualify for a fully subsidised RDP housing unit but too little to afford their own housing needs or to qualify for mortgage bond, have sought to bridge the gap. However, the gap remains. To understand the housing gap and the constraints faced by metros, the Commission undertook a study that seeks to align urban housing supply and the unhoused urban population, using both quantitative and qualitative methods.

RESEARCH FINDINGS

The study found that while the FLISP aims to assist households within the housing gap market, those earning between R3 501 and R15 000 per month, qualifying individuals within this income group who are single and have no dependents are excluded from the programme.

The study revealed that household indebtedness remains high and this will continue to undermine the effectiveness of FLISP unless government intensifies implementation of a debt rehabilitation programme. The study also found that within the housing gap market, the highest proportion of unhoused households in metros is those earning between R4 000 and R9 000 per month, as illustrated in Figure 1.

Figure 1. Number and percentage of unhoused households in metros by income group



Source: Lightstone Explore Demprokey data, Statistics South Africa, 2012, Deeds Office data, Lightstone Property base.



CONCLUSION

The FLISP has not been effective in assisting households within the housing gap market for a number of reasons. These include the high level of indebtedness of households within the qualifying income band, funding inconsistencies across provinces and programme design issues, particularly the fact that single households without dependents are currently excluded. These are exacerbated by institutional issues constraining metros from adequately planning and implementing housing delivery in response to urbanisation. Institutional constraints include the lack of alignment of housing delivery programmes and project plans between provinces and municipalities. Given these findings, the following must be undertaken to improve the effectiveness of FLISP and address institutional constraints for metros to increase the scale of housing delivery:

- Address the gap within the FLISP by ensuring that qualifying single individuals without dependents are included as beneficiaries.
- Ensure that provincial departments of human settlements prioritise the implementation of the FLISP by allocating adequate financial resources in a consistent manner.
- Ensure that the national Department of Human Settlements and provincial departments of human settlements agree to implement the FLISP in a standardised manner across provinces and prioritise households earning between R3 501 and R9 000 per month.
- Ensure that there is enough funding for implementation.
- Ensure that provincial departments of human settlements and other key departments, including the provincial departments of basic education and transport, align their infrastructure delivery plans particularly for new human settlements development. This could be done by establishing an inter-sectoral coordination committee where relevant departments meet to discuss new infrastructure development projects relating to habitable human settlements.



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