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Commission urges densification of cities to lower costs

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CAPE TOWN — Land use patterns in SA's sprawling cities and towns are costly and inefficient and should be redressed by government offering fiscal incentives to promote densification, the Financial and Fiscal Commission said in a report tabled in Parliament yesterday.

Greater densification would require less expenditure on transport subsidies for the poor — who live far from their places of work and spend a lot on transport — and also less in housing subsidies over time.

The commission's conclusions mirror those of the South African Cities Network, which warned in its State of the Cities Report 2011 that the current spatial development trajectory of cities in SA was very problematic. It called for concerted efforts by all spheres of government to transform the distorted urban development through densification.

The Financial and Fiscal Commission report — its submission for the 2012-13 division of revenue between national, provincial and local governments — recommended a range of fiscal instruments that could be used to promote densification. These included the use of developmental charges in financing infrastructure, public transport subsidies that specifically targeted high- density, low-income areas and other fiscal incentives for the development of urban land.

The report also urged the government to review the efficacy of the current system of financing housing in order to encourage high-density settlements. The introduction of the urban settlements development grant was a step in the right direction, it said.

The report highlight ed the additional costs and inefficiencies arising from the low-density pattern of land use in the country, which has its origins in the racial segregation policies of the apartheid state.

The commission's research indicated "that the current costs of low- density urban development in South African cities are approximately R6,4bn more per annum tha n those of a compact form, an operating cost difference of about 7%".

"If this is extrapolated to only the six metros the difference between the urban sprawl scenario and the compact city scenario amounts to approximately 1,4% of gross domestic product by year 10."

Transport costs make the biggest contribution to the cost difference as workers have to commute further in sprawling cities. The analysis showed that low-income households spent 14% more per month on transport in the urban sprawl scenario and 10% less in the compact city scenario at the end of a hypothetical decade of development.

The report noted that the current public housing subsidy was based on the direct provision of housing by the state and did not allow citizens to choose in which part of town to live and in what type of housing, but offer ed accommodation in distant locations where land was cheaper.

"The only remedy to the distortion in city shape caused by large subsidised housing programmes is to make subsidies 'portable' and to let low-income households make their own trade-offs between land- use standards, transport costs and location," the report said.

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