



POSITION PAPER

UNLOCKING THE SIGNIFICANT POTENTIAL OF SMALL-SCALE AFFORDABLE RENTAL ACCOMMODATION [SSAR] FOR SCALABLE AND SUSTAINABLE HOUSING DELIVERY IN SOUTH AFRICAN CITIES

2024



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1 Introduction

Despite the implementation of what is arguably one of the largest national housing programmes on the continent, there remains a substantial unmet demand for housing. Current estimates indicate that 2,6 million households (approx. 12 million individuals) are in need of housing (Saal, 2022). This figure suggests a massive housing crisis in South Africa, primarily characterised by people living in informal settlements and backyard dwellings without adequate basic services, namely waste collection, clean water, reliable electricity and decent toilets. These conditions are exacerbated by inadequate social and economic infrastructure and environmental degradation. To address this, a scalable and sustainable approach – with municipalities at its core – is needed to address the housing backlog.

The roots of the housing crisis are two-fold and, in essence, reflect both a mismatch between supply and demand and the lack of scalable and sustainable solutions from the private and public sectors. With respect to the private sector, the data illustrates that the majority of units developed by this sector cater primarily for the upper-middle and higher (luxury) ends of the property market (Tshangana & Jubane, 2023). This leaves the public sector responsible for delivering housing for the bottom and lower-middle markets (Drummond, 2022). However, given a housing delivery rate of 125,000 units per year in 2018 (DoHS, 2020), the public sector cannot meet the demand for housing from these markets. Given the need to roll out as many units as possible within the parameters of the current housing models, public sector housing delivery has had the unintended negative outcome of reinforcing the ‘apartheid city’ as most housing projects are built on the peripheries of our cities where land values are lower. Furthermore, fiscal constraints, poor state capacity, and the poor coordination of activities across all government spheres hamper the delivery of scalability. Therefore, we must find the most scalable, sustainable and resilient delivery model, which rallies the knowledge and resources of all sectors of society, including the private sector.

Small-scale affordable rental (SSAR) has been identified as one such a model. The term small-scale rental refers to a range of housing typologies, namely township micro-developments and small-scale, informal rental accommodation, including backyard rental housing. Civil society organisations, academics, with the support of national government departments such as the National Treasury and development partners, and several municipalities have highlighted SSAR as the sub-sector that holds significant potential for not just scalable and sustainable delivery of housing but also for driving local economic development (Charman, 2023) if support is given to emerging small and micro developers who provide vital affordable rental accommodation. The recognition of the pivotal role this phenomenon, which is largely observed in townships and in the backyards of RDP/BNG developments, can play in addressing the housing crisis has culminated in a national symposium held in May 2023, that called for action to support the growth, improvement and regularisation of the SSAR sub-sector (Turok, 2022). This paper builds on this call and sets out a position for cities in relation to SSAR.

SACN’s position is informed by knowledge co-created with cities, particularly through the Built Environment Integration Task Team (BEITT), a community of built environment practitioners that seeks to collectively deal with practical issues around spatial transformation from city practitioners’ perspectives and lived experiences. Thus, our insights and proposals are embedded in the institutional reality of what it means to drive spatial transformation in South African cities.



For more info on BEITT visit www.sacities.net/beitt

2 Background and Context

To date, the public sector has delivered 4,8 million housing opportunities (DoHS, 2020). With 31% (>2.1 million units) of residential properties with title deeds in metropolitan areas being government-subsidised housing (Rust, 2023), it is clear that the public sector serves an important and sizeable segment of the housing market as the majority of these houses are valued below R600,000 (Drummond, 2022). Current estimates are that the housing backlog is at 2.6 million households (Saal, 2022). This figure captures part of the historical housing demand backlog in addition to the ‘new’ demand that has arisen due to natural population increases, urbanisation, and in-migration (McDonald, 1998; Mthiyane, Wissink & Chiwawa, 2022). Given the current rates of housing delivery by the public sector, it will take at least 15 years to address this demand (Ramovha, 2022). However, given the current fiscal constraints and limited state capacity, it is increasingly evident that the public sector cannot address the housing backlog alone and that the private sector must play a key role.

Whilst the private sector typically does play a role in the delivery of housing, it is increasingly moving towards serving the much higher ends of the housing market. These higher-end houses, which are valued at R900,000 and above, account for 32% of the market (Tshangana & Jubane, 2023). Whilst it also serves the conventional or ‘gap’ market (houses valued between R600,000 – R900,000), the private sector has, on the whole, failed to deliver affordable housing units at scale. This is due, in part, to the nature of the formal property sector, which is highly formalised with stringent red tape, making the barriers to entry very high. However, the growing SSAR sub-sector, which is driven by local, and often informal, social entrepreneurs and property owners, is stepping in to fill these gaps within the private sector.

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3 Discussion

SSAR is increasingly becoming an integral aspect of South Africa's housing system, and according to Gardner (2022), it is arguably one of the most successful SMME sectors in the country. In several cities, particularly Johannesburg and Cape Town, this sub-sector is increasingly recognised for filling the gaps in the housing market by providing affordable rental housing for those who neither qualify for government-subsidised housing or a bond and for those who want the flexibility associated with renting as opposed to homeownership.

That is, SSAR is delivering affordable rental accommodation to those whose housing needs are currently not being met by either the government or the formal private sector. In so doing, SSAR, as an economic activity, contributes to the growth and strengthening of township economies through the various investment opportunities it offers for SSAR developers. Within this sub-sector, these social entrepreneurs play a central role in (local) housing development processes.

According to McGaffin, Spiropolous and Boyle (2019), there are two types of small-scale or micro-developers, namely 'enterprise developers' and 'homeowner developers' (also known as owner-developers). Owner developers are those who develop units on their own properties for the purposes of expanding their accommodation and supplementing their household income. Enterprise developers, on the other hand, build multiple rental units in the form of medium-density apartment blocks on properties they have bought specifically for this purpose (often following the demolition or renovation of any previously existing structures). Enterprise developers invest large(r) amounts of funding from various sources to construct their rental units (McGaffin, Spiropolous & Boyle, 2019). They are able to gain access to leveraging private sector investment, knowledge, and expertise. They are generally more entrepreneurial than those developing informal backyard housing and are driven by profit and wealth creation motives (ibid.).

Ultimately, SSAR developers are contributing to the establishment of a local market for affordable rental accommodation that contributes to local economic development and environmental sustainability. Additionally, the mixed-use nature of many SSAR developments also means that SSAR plays a key role in providing affordable commercial spaces for local small, medium and micro enterprises (SMMEs) whilst simultaneously creating opportunities for the establishment of support enterprises.

Indeed, we have seen the emergence of several successful enterprises and organisations that support this sub-sector. For example, several financial services companies have been established to serve micro-developers in particular. uMaStandi, for example, assists SSAR developers (particularly resident landlords) to unlock the equity potential of their property by providing them with the finance required to develop units for rental purposes.

Bitprop offers homeowners the investment and operating model to develop rental units in the unutilised space on their property. Xtenda Housing Finance, on the other hand, is a housing microfinance institution that assists SSAR tenants and developers to either build an additional unit or make incremental improvements to existing units. These and many other microfinance institutions, as well as support centres such as the Tenure Support Centre that help transfer properties for which title deeds have not been issued, have arisen across the country to support this sector.

From a municipality's perspective, and as Brueckner, Rabe and Soled (2018: 19) note, SSAR "generates efficiencies by raising the density of land-use in response to higher housing demand, without the need for wholesale redevelopment of the housing stock". This places municipalities on a pathway of sustainable city building as SSAR occurs on brownfield sites, reducing further urban sprawl. Densification through SSAR development has positive environmental impacts provided it is carefully managed (Næss, Saglie & Richardson, 2020) given that in Cape Town, for example, approximately 649,000 additional new units have been anticipated across 194 targeted sites by 2040 (Snyman, 2023). This equates, on average, to eight additional units on erven designed for 1 unit (ibid).

SSAR is by far the largest provider of accommodation in recent years, and the sub-sector has significant potential to grow given that approximately two-thirds of new households in the country between 2007 and 2011 were absorbed into backyard housing, which comprises a sizeable number of SSAR units. As Tshangana (2014) notes, informal settlements absorbed only half this number of households in the same period. Consequently, SSAR serves the needs of those at the lower ends of the housing rental market.

4 Stumbling Blocks

Despite the immense potential SSAR holds, the sub-sector does face significant stumbling blocks that serve as impediments to the sub-sector's regularisation, improvement and growth. These stumbling blocks include:

Land-use management and planning regulation

The lack of a national or provincial policy response to this sub-sector has given rise to ad hoc responses at the local level to the challenges and opportunities posed by SSAR, and urban planning frameworks and land use management guidelines have responded very slowly, if at all, to the dynamics of the SSAR sub-sector (Rubin and Gardner, 2013). The current regulatory regime is restrictive in nature and cannot accommodate SSAR (Gardner, 2022). Land-use planning regulations and by-laws limit the number and size of units that can be built on each plot and also stipulate the amount of space that must be between and around each building. SSAR units, however, tend to be larger and built closer to each other than the regulations and by-laws permit. Thus, at present, these frameworks are inappropriate and impose unrealistic or, in the case of SSAR, undesirable conditions for development and regularisation that the sub-sector cannot meet. This regulatory quagmire is exacerbated by, first, the lack of a national policy on small-scale rental housing policy (Isandla Institute, 2020a), as well as the lack of provision for subsidies that are specifically designed to support the development of small-scale rental housing or the formalisation of SSAR either through the extension of services or top-structure redevelopment to ensure the units are structurally sound and safe for occupation (Isandla Institute, 2020a). The lack of such support, particularly from the government, is one of the key barriers to the formalisation and regularisation of these dwelling units (ibid.).

Land and property rights

The regulatory quagmire is also exacerbated by submission processes that are not easy to follow, slow, and costly as well as the cumbersome nature of the administrative processes related to the issuance of title deeds (Magagula & Mubangizi, 2019; CoCT, 2021; Gardner, 2022). In instances where some SSAR developers are able to adhere to these conditions, they need more secure tenure in the form of title deeds to prevent them from doing so (Mosehlane, 2023). This, in essence, means that many property owners do not have secure tenure and, therefore, cannot obtain the requisite development rights and building approvals. The lack of secure tenure further impedes regularisation, as it is the key to accessing (additional) finance that can be utilised to regularise the SSAR units, and the failure to complete these processes and comply with regulations limits the SSAR developers' ability to realise the full (market) value of their housing. This, in turn, leads to a decrease in the rates and revenues that the municipality is able to levy for that property (Spiropolous, 2019).

Financial mechanisms and institutions

Small-scale rental housing developers are constrained by both the need for housing and the need for affordability. Whilst there is significant demand for affordable housing, the demand for small-scale rental is relatively lower than the demand for cheaper forms of affordable rental housing in informal settlements or backyard shacks. Second are challenges related to accessing development finance.

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Spiropolous (2019) notes that the main financial products available to most small-scale rental housing developers are personal loans, as traditional banks were reluctant to work in this 'grey' zone. This has changed, however, in more recent years with the advent of micro-finance institutions, some of which are able to provide unsecured loans. Nevertheless, small-scale rental housing developers lack access to appropriate finance products at affordable interest rates. The interest rates offered for financing this sector are high. For example, iBuild offers mortgage finance at 18% for seven years. uMaStandi, a property financing company that offers commercial mortgage financing in addition to training and mentorship, offers financing at 15% for 15 years.

Capacity building

Accessing professional support has proven to be quite challenging for smaller developers in this sub-sector. This is due, in part, to the cost of acquiring the services of professionals such as lawyers, conveyancers, engineering, project management, and architectural services (Spiropolous, 2019). It is also due to the observation that SSAR developers' often lack the necessary information or networks to access these services. This is further hampered by a lack of capacity across the sub-sector to engage with finance institutions, civil society, and public authorities as a collective to access technical advice and training, resolve challenges as they emerge, and develop a co-ordinated approach for the sub-sector.

Infrastructure

In a number of townships where SSAR is predominantly located, the infrastructure capacity has been reached or is already over-extended. Tshangana (2014) argues that the impact on service provision and infrastructure networks is largely related to on-site access to adequate services by residents and the carrying capacities of infrastructure networks in each area. With respect to on-site access to services by residents, the worst-case scenario, which applies primarily to SSAR is one in which tenants are exposed to an increased risk of contracting communicable diseases if they are renting accommodation that does not offer consistent access to potable water and formal sanitation if there are

several units on a plot or if they rent a single, overcrowded unit (Gardner, 2022). With respect to infrastructure capacity, the (unplanned) increase in the number of individuals living in an area, which, in turn, results in increased densities in those areas, leads to various infrastructure networks, for example, sewerage infrastructure networks, reaching their carrying capacity or even exceeding it. This is not true of all areas, however, as in some areas, infrastructure capacity has been over-specified and can handle the additional load (ibid.). Regardless, these infrastructure-related implications remain a concern even in high-capacity areas, provided the policy and regulatory vacuums, as they pertain to SSAR, remain. Cumulatively, inadequate access to on-site services and over-extended infrastructure capacities expose SSAR tenants to greater vulnerability to climate-related shocks by limiting their adaptive capacities (Twinomuhangi et al., 2021).

Stumbling blocks

Land-use management and planning
regulation

Land and property rights

Financial Mechanisms
and Institutions

Capacity Building

Infrastructure

5 Current Responses to SSAR by Municipalities

To date, there have been several municipal responses to the challenges and opportunities presented by SSAR.

These are:

5.1. Laissez-faire: there is little to no government intervention in the small-scale rental and backyard housing sub-sectors in many neighbourhoods. Isandla Institutes (2020a) notes that the backyard housing sub-sector in particular, has operated largely, with little to no government intervention despite it providing housing to a sizeable number of residents. Consequently, it is the market (i.e. developers) who determine the number and type of dwellings to be constructed as well as the occupancy levels of these units (Tshangana, 2014).

5.2. Zero tolerance for “illegal” structures: In some municipalities, unapproved structures are demolished in all neighbourhoods.

Case Study: Grassy Park, Cape Town



Grassy Park is an old neighbourhood in the metropolitan south-east. It is a middle-income suburb in which homeowners have incrementally built second-dwelling units on their properties. Most of these second dwelling units, which include free-standing units, garage conversions, and house extensions, have been built with the requisite planning approvals. As a result, and according to Rubin and Gardner (2013), 75% of the suburb now has a second dwelling unit, many of which are rental properties. The City of Cape Town’s controlled urban management approach necessitates that homeowners have the necessary planning permission before constructing their second unit. Rubin and Gardner (2013) anticipate that the blanket second-dwelling unit policy may accelerate the development of small-scale rental housing in the area.

Case Study: Kokstad, Kwa-Zulu Natal

The Municipality has, until fairly recently, held a zero-tolerance approach to illegal structures. This approach is embedded in the town’s strict urban planning controls, which were developed pre-1994 and carried forward into the democratic era (Rubin & Gardner, 2013). Consequently, all structures that were not built with the necessary planning approvals would be identified and demolished across the town, except in a few of the older black townships. The few backyard structures that were present were almost all formal in nature. As Rubin & Gardner (2013) note, this approach exacerbated the affordable rental housing shortage in the town, with anecdotal evidence indicating that the demand for such opportunities was so high that garages were being leased for up to R1,600 monthly. Given this unintended consequence, the municipality developed an Integrated Sustainable Development Plan for Kokstad in 2011/12. This, in particular, provided a framework for the review of the town’s urban management and called for the establishment and implementation of a range of development control mechanisms and strategies for densification and controlled development of second dwelling units in identified nodes and corridors, to mention a few.

5.3. Building control enforcement: in certain neighbourhoods, land use management regulations have been designed to permit formally constructed backyard structures. However, these dwellings, namely rooms and cottages, are approved by the municipality and offer a minimum level of access to services. This has had the consequence of gentrifying certain neighbourhoods.

5.4. Infrastructure upgrading in municipal stock: using municipal housing stock as the starting point, some municipalities, like the City of Cape Town, are upgrading infrastructure networks and capacity and extending infrastructure connections to backyard tenants, including shared sanitation facilities, prepaid electricity connections, and refuse removal.

Case Study: Cosmo City, Johannesburg



Cosmo City, an integrated housing development located in north-west Johannesburg, is a public-private partnership that was initiated by the City of Johannesburg to address the city's housing backlog. Breaking New Ground (BNG) houses were provided in Cosmo City, and it is there that backyard housing continues to grow. The City adopted a direct approach to the management of development in the area, bringing together community liaison officers, building inspectors, and providing training to home owners on backyard housing construction and upgrading. According to the Isandla Institute (2020a), this has led to improvements in the quality of backyard housing, most of which is used to generate additional income for the homeowners. However, as Isandla Institute (ibid) further notes, the enforcement of urban management and building regulations has had the unintended consequence of raising rental prices, making this well-located area inaccessible for poorer tenants.

Case Study: Factetron Municipal Housing Backyard Servicing, Cape Town

As part of the City of Cape Town's Backyard Essential Services Improvement Programme, a pilot was launched in Factetron, Langa and Hanover Park within the city's own housing stock, which at the time accounted for 38% (41 420) of the 109 000 backyard structures in the city at the time (Rubin & Gardner, 2013). The programme aimed to decrease tenants' reliance on the main dwelling for access to basic services, namely water and sanitation (CoCT, 2022). This was to be achieved by improving tenants' access to basic services through upgrading or replacing bulk infrastructure in the area and reticulating services to backyards. A key mechanism to enable this was the designation of certain SR2 areas as 'Special Residential 2' areas. This innovative designation permits informal structures in the backyards of formal structures. In so doing, and using the Urban Settlement Development Grant (USDG), this legal mechanism enables the city to extend basic service provisions to tenants within these areas in accordance with national norms and standards. However, this is only following engagements between the City, tenants and landlords, extensive surveying, and the conclusion of a needs assessment. The programme was stopped in 2018 due to resistance by developers/landlords due to the impact of service provision on rental income, particularly on properties that had to be de-densified because the conditions on the property were hazardous (Isandla Institute, 2020a; Rubin & Gardner, 2013). The programme also has not addressed broader questions on how to improve and manage the quality of SSAR (Rubin & Gardner, 2013; Gardner, 2022).

5.5. Enablement through zoning tools: Although not widely practised, some municipalities have development blanket second (and third, in some municipalities) dwelling unit policies on a city-wide scale. Other municipalities have created special land use zones, within which increased densities are permitted, and building norms and standards (such as building lines) are relaxed. These special land use zones are the framework within which SSAR can occur in a regulated manner.

Case Study: EMM Upgrading for Growth (U4G) Entrepreneur Development Plan

The U4G programme was initiated in Ekurhuleni in order to deal with informality, including SSAR and backyarding in general, through in-situ upgrading and relocation to increase its contribution to households' livelihoods and income strategies and to increase efficiency and land use densities (Rubin & Gardner, 2013). Although the project was not implemented ultimately, three interventions were explored: (i) the development of free-standing or adjacent units without toilet facilities, (ii) the development of free-standing or adjacent units with toilet facilities, and (iii) the development of two-bedroom units with shared toilet facilities (Rubin & Gardner, 2013). A key impediment to this programme was the fact that household owners would need to access external funding in order to build structures that meet the minimum norms and standards. However, as has been noted above, many cannot access such funding, and in instances where they do, they do so at high-interest rates (Rubin & Gardner, 2013).

5.6. Direct support: through the development of backyard housing upgrading programmes, which aim to eradicate informal structures by replacing them with formal units that comply with minimum norms and standards.

Case Study: Gauteng Provincial Backyard Rental Pilot Project

Launched in Orlando, Soweto, this direct intervention by the Gauteng Provincial Department of Local Government and Housing aimed to formalise backyard rental units. This was done by demolishing informal units and replacing them with government-subsidised formal backyard units with shared toilets, and formal lease agreements between tenants and landlords. A new grant – the Affordable Rental Housing Grant – was utilised to upgrade these units. According to Isandla Institute (2020a), 2000 to 3000 rooms were developed through this pilot project with a similar number of informal structures being demolished. However, whilst the project did improve the overall quality of backyard structures, it had the resultant effect of decreasing the number of rental units available as tenants were evicted in favour of owners' family members, despite policies prohibiting such actions as well as rent control policies.

5.7. Inclusion of rental units in new development projects: whereby the development of backyard rental units are included and designed for certain new developments, which are able to be rented out by the beneficiaries.

Case Study: Alexandra K206 Project



The K206 project, which is part of the Alexandra Renewal Project Urban Upgrade, is located in one of the few townships in which black South Africans could own housing until the 1960s (Rubin and Gardner, 2013). Once their freehold title had been taken away, these households were forced to rent their homes. The township's central location has led it to become one of the city's densest areas in the country, with current homeowners building several backyard structures on each property. In response to these conditions, a multi-sectoral renewal project was launched in 2001, with the aim of renewing and upgrading existing housing and backyard structures in the area in line with the Gauteng Provincial Backyard Rental Policy (2008). However, much like in other cases cited in this document, the upgraded rental units did not meet the affordability levels of many of the area's residents, particularly those who were unemployed or were not paying rent previously. Furthermore, many tenants refused to pay the rentals to their former shack counterparts arguing, instead that they should be allocated the units instead. Consequently, overlapping property rights and claims necessitate complex responses to respond to the area's backyarding situation.

Case Study: Northern Cape Resettlement & Rental Entrepreneurs

The relocation and resettlement of a community into a new urban area was planned to provide both ownership and rental opportunities in order to address the housing shortages that the town faced. Homeowners were given the option to design their main dwellings in a manner that allowed them to be easily converted into two smaller dwelling units and/or to have small secondary dwellings constructed on their property (Rubin & Gardner, 2013). In so doing, this case exemplifies how municipalities can plan with eventual urban outcomes – densification of a new area through the development of small-scale rental opportunities - in mind.

6 Required Approach to SSAR by Municipalities

The broad suite of responses, with the exception of the laissez-faire approach, is aimed at either (i) improving the current living conditions of small-scale rental housing tenants or (ii) increasing the supply of adequate small-scale rental housing by the private sector (Isandla Institute, 2020a). Whilst some of these responses have reaped some success, if we are to truly realise the potential the sub-sector holds, an enabling, integrated, all-of-society approach must be adopted. Municipalities must be placed at the heart of this approach as, ultimately, they must lead the response given the pivotal role they play in terms of land use management. However, in order for municipalities to take on this role, they must have the necessary support in the form of capacity building and clear legislative and policy foundations. The policy and legislative environment must allow for innovation and experimentation, enabling municipalities to deal with the unique challenges presented by the SSAR sub-sector in relation to regularisation. A central component of this is the need for administrative efficiency and reducing red-tape, for example, by relaxing certain land use planning regulations or granting additional development rights for SSAR to make the process of regularisation as easy and affordable as possible for enterprise developers of SSAR. The need for capacity building extends beyond the municipality to include built environment professionals such as architects and engineers as well as SSAR developers in order to ensure that the different stakeholders are operating in unison and that construction standards are improved (DAG, 2022). In practical terms, this approach necessitates the following:

- 1** Develop a municipal SSAR strategy within an overarching human settlements strategy: Given that the National Department of Human Settlements has not intervened much with respect to backyarding and small-scale rental housing, the onus is on municipalities to address the challenges that these sub-sectors pose. Some provincial governments, namely Gauteng, KwaZulu Natal, and the Western Cape, have taken proactive measures to address the challenges that the sub-sector poses and to enable and guide (as opposed to control) the sub-sector to continue providing affordable rental (Thelejane, 2023). Whilst there is a need for overarching national and provincial policy frameworks to guide and support strategies for small-scale rental, at the local level, practical strategies must be implemented to simultaneously address the challenges the sub-sector poses and enable the continual investment in this sub-sector by the private sector. However, such strategies must be informed by a Local Economic Development Plan that characterises SSAR developers as social entrepreneurs who play a key role in addressing the housing backlog and growing township economies.
- 2** Build SSAR social enterprise capacity: a needs assessment must be conducted for the sector, and training programmes developed that equip emerging micro developers with the requisite knowledge around accessing available finance, land use and building regulations, and the regularisation processes. In conjunction with this, municipalities must develop programmes to address top structure-related issues during the regularisation process. These programmes can be developed in partnership with civil society and academia. Forging these partnerships also ensures that interventions by these three groups of stakeholders are coordinated, thereby avoiding duplication of efforts. Such partnerships also serve as a basis for instilling collective urban management responsibilities (Muller, 2023).

3 Create an environment for experimentation, testing and scaling up of new solutions through the development of several policy and legal instruments that:

- Declare Township Economic Development zones: these zones will have relaxed land use management and building regulations (without sacrificing the health and safety of occupants). In these zones, the development of SSAR will also be incentivised through the reduction of red-tape related to the application for development rights and through the reduction of application processing times. Additional incentives in the form of tax breaks or subsidies can also be explored for homeowner developers.
- Allow for innovation: a key element of the sector's rapid growth has been its flexibility and willingness to experiment in terms of densities, building typologies, and building materials. This should be encouraged in the policy and legal instruments but should also be incentivised on the municipality's part so that municipalities can also experiment in terms of how they can proactively support SSAR in designated areas. Such policy or legislation would allow for municipalities to respond faster to the dynamics of SSAR.
- Embrace incrementalism with a long-term view of formalisation: in the case of micro- and small/medium enterprises, SSAR is often constructed incrementally as the rate at which each unit is constructed is dependent on the availability of funds (DAG, 2022). Thus, the formalisation process should be cognisant of this element of SSAR and initially target "those who are able to afford it and from there incrementally extend it" to all SSAR developers once they access the necessary funds (ibid., p. 14).

4 Address title deed issues as a cornerstone: the title deeds backlog is a significant impediment to the development of additional SSAR units as well as their regularisation. It must, therefore, be addressed with the utmost urgency as the lack of a title deed makes it difficult for SSAR developers to leverage external finance and comply with the requisite regulations. Addressing this issue, particularly the administrative factors that result in processing delays of title deeds for low-income homeowners, could pave the way for even faster growth of the sub-sector.

5 Address infrastructure issues: While not all areas in which SSAR accommodation has been developed have reached their infrastructure capacities, the rapid growth of the sector necessitates that municipalities begin planning for this eventuality and address it in a proactive manner. In areas where the infrastructure capacity has been reached, it is necessary for the capacity in these areas to be extended in order to increase urban resilience by decreasing residents' vulnerabilities to disease and illness as well as climate risks because they are unable to access adequate services. Moreover, there needs to be dedicated funding to support large scale infrastructure improvements and upgrading. As Snyman (2022) highlights, in Cape Town, funding is needed to improve infrastructure capacity to service over 450% (total 8+1 units) in townships.

6 Prioritise targeted integrated area-based investment: public investment must be utilised to crowd in private sector investment in strategic locations to make these urban spaces more resilient. That is public investment through the improvement and scaling up of urban infrastructure must be used to attract additional private investments in certain areas to ensure that any potential climate-disaster-related losses and damages are significantly reduced. However, in order for these benefits to be reaped, collaboration and innovation by all stakeholders is necessary.

7 The Way Forward

In this paper, we have pointed to the growing body of evidence that demonstrates the significant potential that the SSAR sub-sector holds for scalable and sustainable delivery of housing and driving local economic development if support is given to emerging small and micro developers, especially in metropolitan and intermediary city-municipalities.

We have also highlighted the key stumbling blocks to the sub-sectors regularisation, improvement and growth, including the lack of policy response on SSAR, resulting in an ad hoc response by municipalities; regulatory quagmire and administrative red-tape, imposing significant costs on small and micro-entrepreneurs; lack of security of tenure, hampering regularization, access to finance and growth; the unwillingness by traditional banks to work in this ‘grey’ zone, combined with a relatively underdeveloped housing microfinance sector; inadequate access to a wide range of

professional services, and inadequate sub-sector-wide capacity. We have also highlighted the various responses by several municipalities to the challenges and opportunities presented by SSAR, including laissez-faire – with little to no government intervention; Zero tolerance for “illegal” structures; building control enforcement; services improvement in municipal stock; enablement through zoning tools; direct support through upgrading of backyard housing; and inclusion of rental units in new development projects.

To truly realise the full potential that the SSAR sector holds, SACN is calling for an enabling, integrated, all-of-society approach that places municipalities at the centre, while providing them with the necessary support in the form of capacity building and clear legislative and policy foundations.



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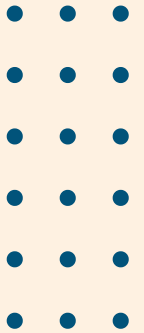
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