

PUBLIC LAND, INNER CITY REGENERATION & SOCIAL HOUSING



Presented by:
Michael Lagus



Content

- Background
- Case for Social Housing
- Social Housing Capacity
- Cape Town Sites:
 - Tafelberg School
 - Woodstock Hospital
 - Oude Molen



Background

- Central City Regeneration Programme objectives to:
 - City that serves the needs of all its citizens;
 - Leverage private sector investment, capacity and expertise;
 - Refurbish properties, achieve savings in the operation and maintenance;
 - Generate an income stream to finance provincial property development and maintenance;
 - generate economic activity
 - create new jobs and opportunities for empowerment
 - provide access to city's resources
 - facilitate social cohesion and well-being
 - enable environmental sustainability and energy efficiency
- Vision
 - diverse, globally connected and social inclusive space
 - encourages an entrepreneurial culture
 - provides a welcoming and inspiring place for socially mixed communities
 - attracts major investors



Background (continued)

- Cape Town – “most segregated Central City”
 - Social & Affordable Housing flourishing in other Central City precincts.
- Widest Housing ‘GAP’
 - Due to Cape Towns higher property values.
- Very high rental demand
 - Especially in Central City



Background (continued)

DT&PW

- Strategic Goal 4: Development Infrastructure & Property
 - SO1: Max. Growth, Employment & Sustainability
 - SO2: Improve Education Outcomes
 - SO3: Improve access Safe & Efficient Transport
 - SO4: Max Health Outcomes
 - SO5: Reduce Crime
 - **SO6: Optim. Human Settlement Integration**
 - SO7: Max Sustainable Resource use.
 - **SO8: Increase Social Cohesion**
 - SO9: Alleviate Poverty
 - SO10: Effective Government

DHS

- Strategic Objective 6: Develop Integrated Sustainable Human Settlements
 - **SO1: Accelerate delivery of housing opportunities;**
 - **1.4 Acquiring well located land...;**
 - 1.5 Fair allocation of housing opportunities;
 - 1.6 Co-ordinated approach to human settlements;
 - SO2: Sense of ownership, rights and responsibilities;
 - 2.2 Increase beneficiary involvement;
 - SO3: Optimal & sustainable use of resources;
 - **3.2 Increase densities;**
 - 3.3 Closing the gap – strategic partnerships;
 - **3.4 Enhance supply of new rental housing;**



Approach

- Viability from perspective of:
 - Social Housing Institution
 - Land owner
 - Public (National, Provincial & Local Government & Taxpayer)
 - Tenant / Resident
- Feasibility Report
 - Case for Social Housing
 - Institutional Capacity
 - Funding Framework
 - Track Record
- Financial Feasibility of
2 Cape Town Sites



Case for Social Housing

- Open Market Sale vs. Affordable Housing
- Social Housing vs. BNG & RDP



Option 1: Open Market Sale

- What could be realised?

TAEFELBERG

	REVENUE FROM SALE	YIELD	TOTAL
RESIDENTIAL	R 50,000 per unit	142 units	R 7,100,000.00
RETAIL	R 1,650 per sqm	1,120 sqm	R 1,848,000.00
			R 8,948,000.00

WOODSTOCK HOSPITAL

	REVENUE FROM SALE	YIELD	TOTAL
RESIDENTIAL	R 50,000 per unit	248 units	R 12,400,000.00
RETAIL	R 1,650 per sqm	0 sqm	R -
			R 12,400,000.00



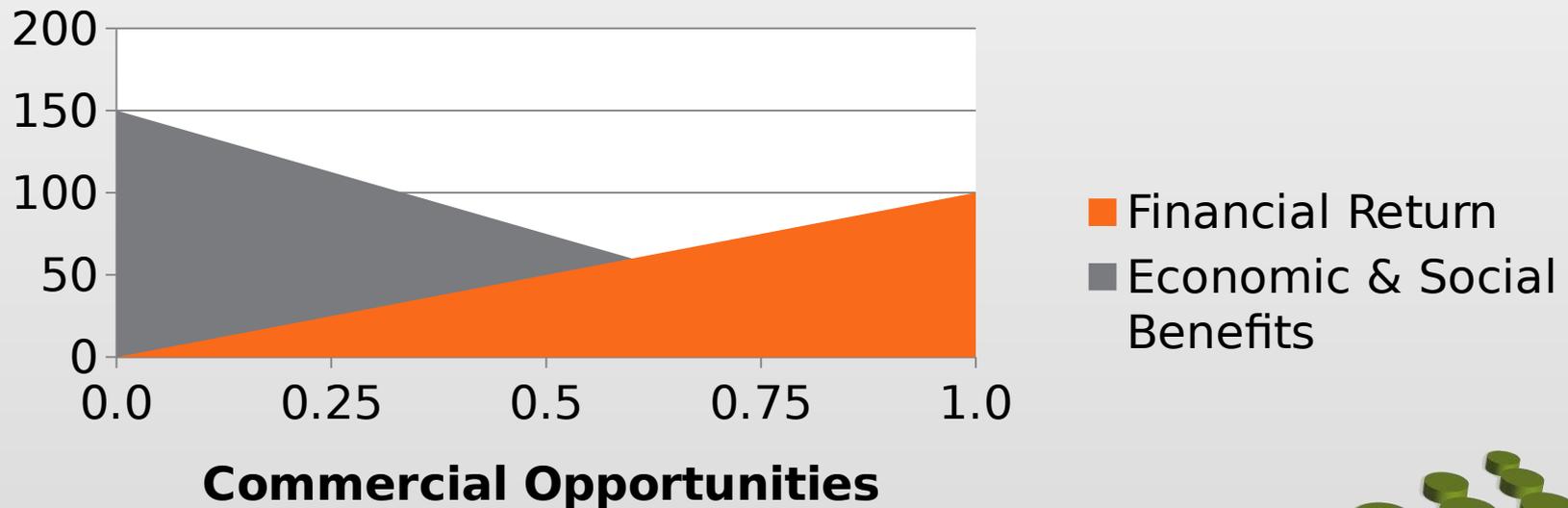
Option 1: Open Market Sale

- Income – R 21m
- PPP – Possible additional 15% with risks
- However in current market:
 - Poor residential market & stock over supply.
 - Developers incentivised to slow down.
 - Speculative Cycle - Asset lost forever – no further benefits accrue.
 - Short term benefit.



Option 2a: Social Rental Housing on Long Lease

- Limited income / financial return if SH only.
- Maximum return if fully commercial.
 - Reducing economic and social benefits.



Option 2a: Social Housing (contd.)

- No more expenses (maintained by others)
- Leverage long term social & economic benefits
- Meet almost all ICRP objectives.
- Contribute towards Strategic Objective 6 – Outcome 3
- Access to well located land indefinite (avoiding gentrification)
- Increase asset value of land substantially with no costs.



Option 2a: Social Housing (contd.)

- More Sustainable Approach to Affordable Housing Delivery
 - Higher density = less resource use, incl.
 - More efficient bulk infrastructure (MIG)
 - Lower Life Cycle Costs to state
 - E.g. Maintenance covered by SHI through rentals
 - Lower externalised state costs
 - Health, Transport, Education etc.
 - Greater Economic Benefits
 - Improved and Sustainable Living Conditions for tenants.
 - Integrated Human Settlements



Option 2b: Breaking New Ground?

Social Housing vs BNG

SHF (Rhizone & Rebel) Cost Benefit Analyses

- SRH up to 3 times better life cycle cost than BNG.
 - Transport savings
 - Reduced crime
 - Improved education & employment
- RDP/BNG greater cost to:
 - Government & Occupant
- Social Rental Housing
 - SHI carries maintenance cost – sustainable.
 - Asset Value maintained/appreciates.



Inner City Regeneration Objectives

Stated Objectives		Other Benefits	
Redress spatial dysfunctionalities	✓	Increase asset value	✓
Serve the need of all citizens	✓	Urban restructuring	✓
Leverage private sector	✓	Future development options	✓
Refurbish unused / under utilised properties	✓	Affordable housing in perpetuity (avoid gentrification)	✓
Achieve Savings in operations / maintenance	✓	Reduce costs to government (Local, Provincial & National)	✓
Create jobs & opportunities for empowerment	✓	Tenant Benefits	
Place for socially mixed communities	✓	Community spaces maintained and managed effectively	✓
Improve livelihoods, better access to jobs & facilities	✓	Mobility & better access to jobs and other public facilities	✓
Generate Income	✗	Sustainable living environment	✓

Departmental Objectives

DT&PW

- Strategic Goal 4: Development Infrastructure & Property
 - SO1: Max. Growth, Employment & Sustainability
 - SO2: Improve Education Outcomes
 - SO3: Improve access Safe & Efficient Transport
 - SO4: Max Health Outcomes
 - SO5: Reduce Crime
 - SO6: Optim. Human Settlement Integration
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DHS

- Strategic Objective 6: Develop Integrated Sustainable Human Settlements
 - SO1: Accelerate delivery of housing opportunities;
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 - 3.3 Closing the gap - strategic partnerships;
 - 3.4 Enhance supply of new rental housing;

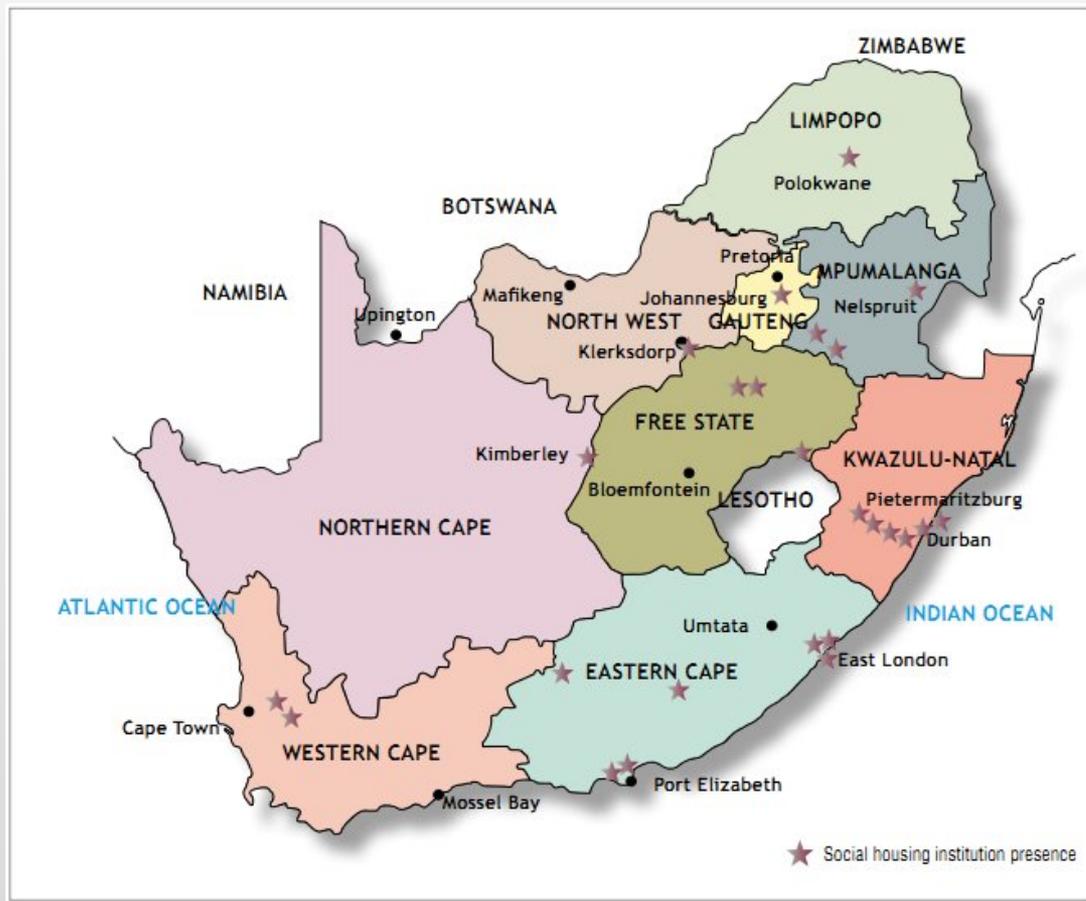
Proposition

- Keep Tafelberg & Woodstock (& Oude Molen) in public ownership
 - Realise social objectives
- Other properties more commercial appeal (e.g. Artscape) – realise immediate income objectives.
- Social objectives will reduce returns on commercial sites



Social Housing Status

- National Spread of established SHIs



Social Housing Institutional Capacity

Can Social Housing sector deliver?

- Background
 - Housing Programmes
 - RDP / BNG
 - Institutional & others
 - Social Housing
 - Social Housing Foundation
 - Interim Social Housing Program (ISHP)
 - NASHO
 - Social Housing Act 2009
 - SHRA 2010
 - SHIP (Investment Programme)
- Key points
 - Established Institutional Framework
 - SHF functioning systems
 - NASHO support
 - SHRA authority to:
 - Accredit
 - Support new SHIs
 - Monitor (quarterly reporting)
 - Intervene with funding and external management support

Delivery & Funding

Interim Social Housing Programme (SHF)

ISHP YEAR	INSTITUTIONS	PROJECTS	PROVINCES	MUNICIPALITIES	UNITS	GRANTS
1	3	4	2	3	1698	R 102 million
2	2	4	3	3	1893	R 236 million
3	4	9	4	5	1818	R 240 million
SHIP YEAR	INSTITUTIONS	PROJECTS	PROVINCES	MUNICIPALITIES	UNITS	GRANTS
1	4	5	3	4	1050	R 141 million
2	4	5	3	4	1707	R 255 million

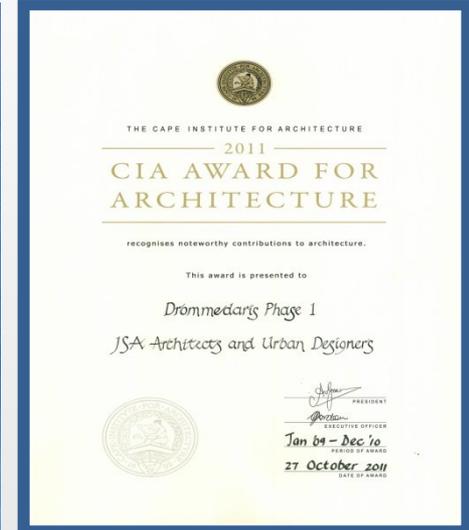
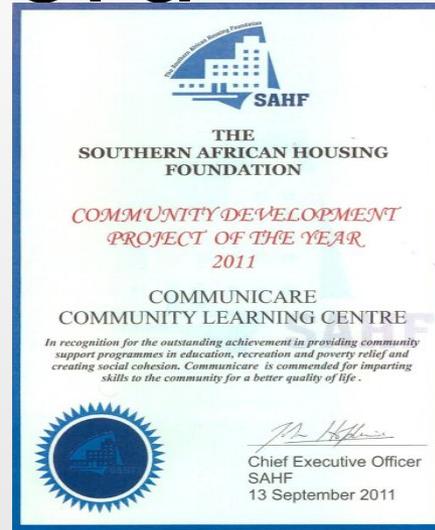


Delivery & Funding

Social Housing Investment Programme (SHRA)

Province	Units				Total
	2010/2011 1	2011/2012 2	2012/2013 3	2013/2014 4	
Eastern Cape	307	1,171	885	1,043	3,406
Free State	0	130	300	300	730
Gauteng	2,261	2,331	2,807	2,542	9,941
KZN	42	753	1,301	1,550	3,646
Limpopo	0	200	842	600	1,642
Mmpumalanga	127	200	300	400	1,027
North West	0	0	250	250	500
Northern Cape	0	0	111	125	236
Western	180	564	1,470	970	3,184

Cape Town SHIs Track Record



Successful Project



Cape Town Sites

Tafelberg, Woodstock, (Oude Molen)

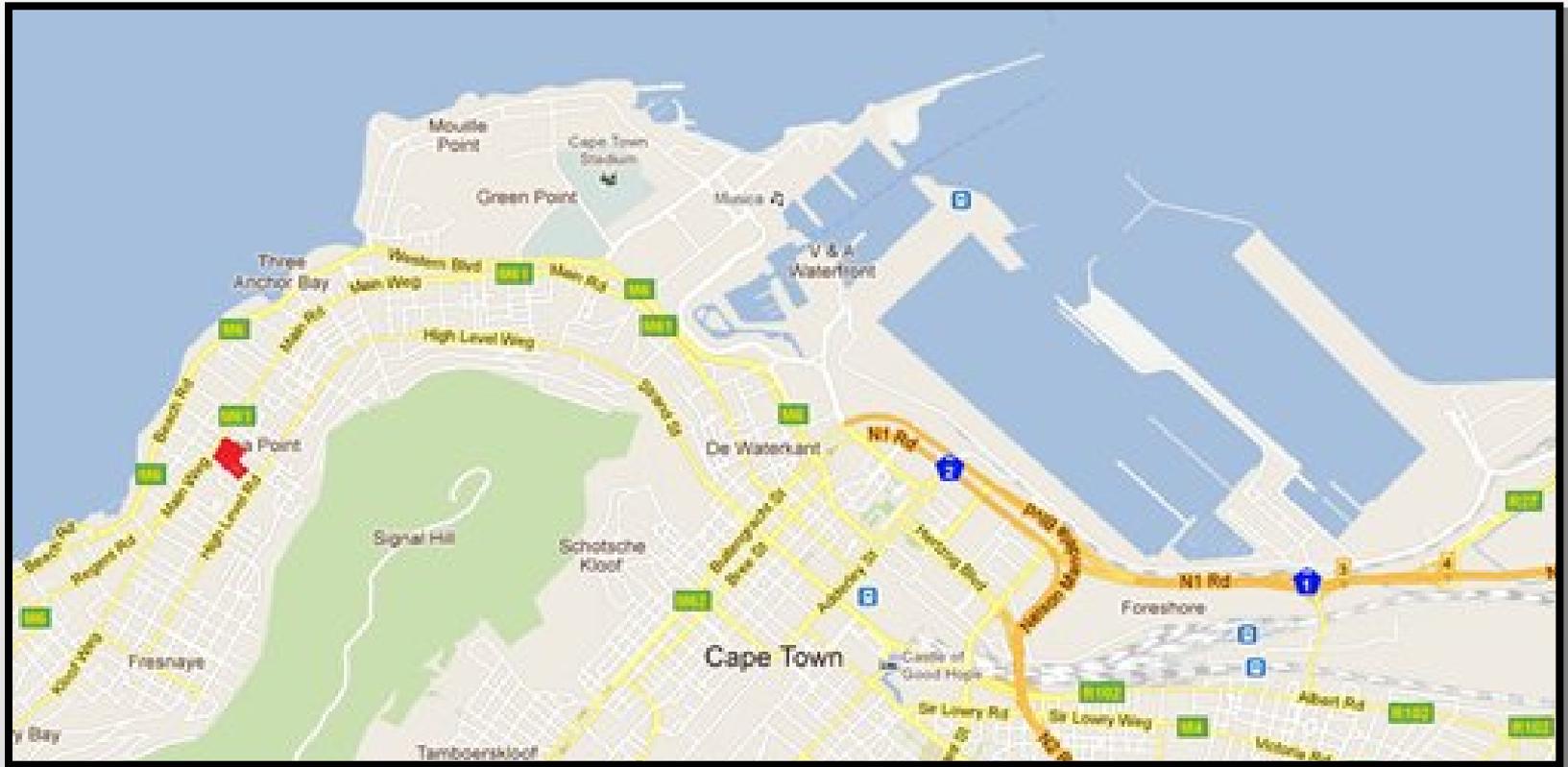
- Parking Ratios

<u>TAFELBERG</u>		
PARKING RATIO	UNITS YIELD	COVER-AGE
1.75	142	17%
1	225	19%
0.5	291	24%
0.25	341	29%

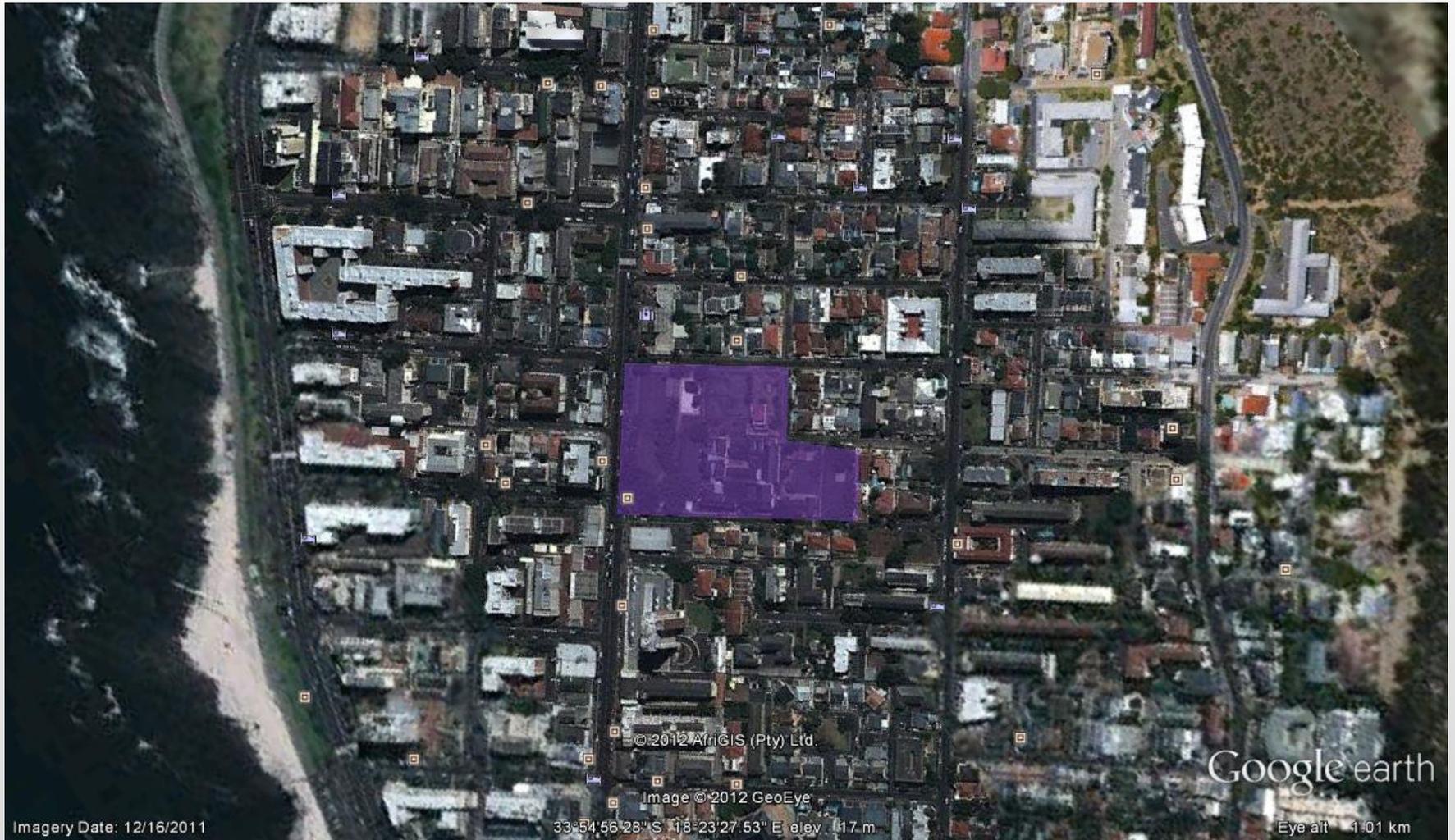
<u>WOODSTOCK HOSPITAL</u>		
PARKING RATIO	UNITS YIELD	COVER-AGE
1.75	248	30%
1	392	33%
0.5	508	43%
0.25	595	50%

- Study of SRH & CRU – parking usage 0.14 – 0.28

Tafelberg School



Tafelberg School



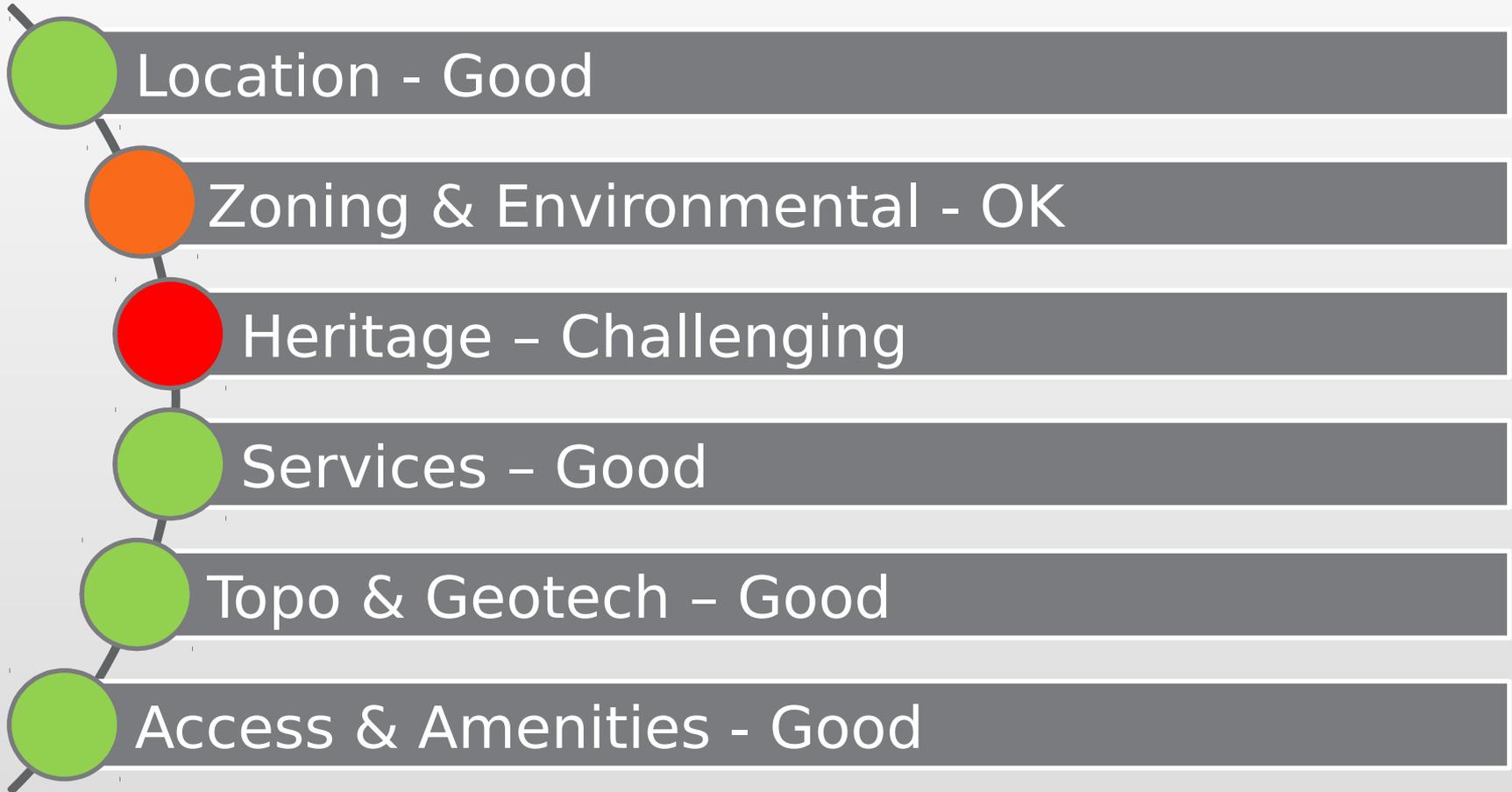
Tafelberg School



Tafelberg School



Tafelberg School



Urban Design: Tafelberg School



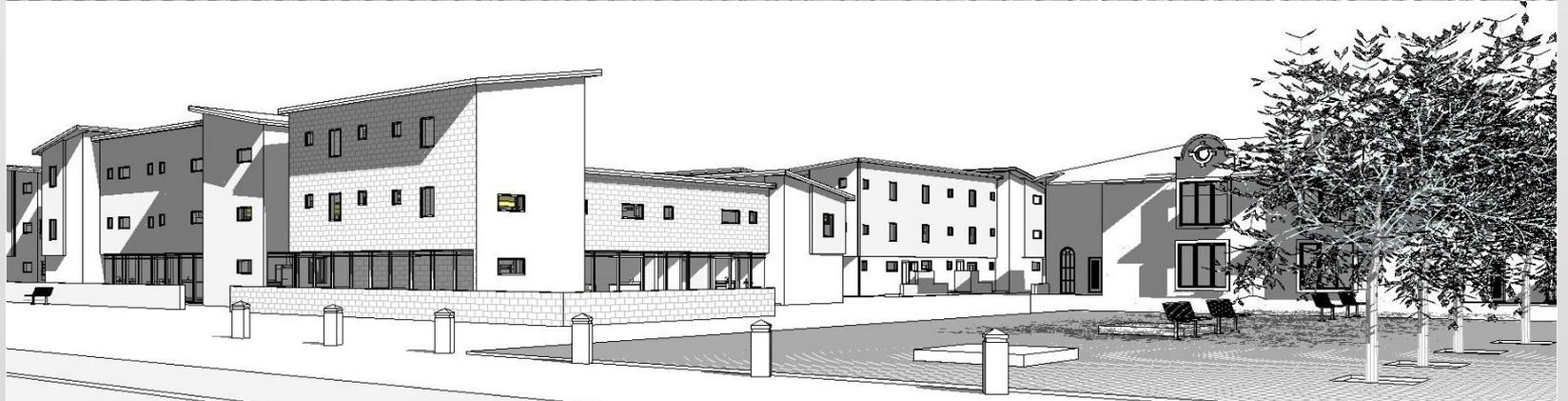
-  Existing Buildings
-  Proposed Residential Buildings
-  Proposed Parking
-  Public Open Space
-  Retail Edge



Urban Design: Tafelberg School



Urban Design: Tafelberg School



Urban Design: Tafelberg School



Feasibility: Tafelberg School

Unit Ratios & Rentals

MARKET	UNIT TYPE		BACHELOR	1 BED SMALL	1 BED LARGE	2 BED SMALL	2 BED LARGE	TOTAL	SUBTOTALS
	AVG RENTAL		R 700.00	R 795.00	R 1,720.00	R 2,050.00	R 2,250.00	R 1,633.80	
	INCOME BANDS		16%	16%	16%	26%	26%	100%	
PRIMARY	-	1,499.00						0	65
	1,500.00	3,499.00	32	33				65	
SECONDARY	3,500.00	7,500.00			33	53	53	139	139
	7,500.00							0	
			32	33	33	53	53	204	204
			32	66		106		204	204



Feasibility: Tafelberg School

	RESIDENTIAL							
BUILDING TYPE	NEW BUILD				REFURBISH			
NO OF UNITS	204 units				10 units			
	UNIT	QUANT	RATE	AMOUNT	UNIT	QUANT	RATE	AMOUNT
Professional fees	%	11.50%	28,647.52	5,844,094.58	%	11.50%	21,712.42	217,124.21
Demolition	m ²	4753	300.00	1,425,900.00	m ²	0	n/a	-
Building	Unit	204	196,436.28	40,073,000.82	Unit	10	145,413.00	1,454,130.00
Civil Services	Unit	204	17,821.48	3,635,582.47	Unit	10	12,821.48	128,214.83
Electrical (Bulk)	Unit	204	10,331.04	2,107,532.16	Unit	10	7,748.28	77,482.80
Landscaping	Unit	204	3,220.90	657,062.74	Unit	10	2,720.90	27,208.96
NHBRC	Unit	204	1,101.43	224,691.56	Unit	10	1,101.43	11,014.29
Plan Approval Fees	Unit	204	100.00	20,400.00	Unit	10	100.00	1,000.00
Developent Contributions	Unit	204	-	-	Unit	10	-	-
Contingency	%	5.00%	46,473,178.20	2,323,658.91	%	5%	1,687,036.59	84,351.83
			TOTAL	56,311,923.24			TOTAL	2,000,526.91
			TOTAL PER UNIT	276,038.84			TOTAL PER UNIT	200,052.69



Feasibility: Tafelberg School

Cost Estimates: Residential

BUILDING TYPE	RETAIL				COMMUNITY			
NO OF UNITS	1,119m2				4,279m2			
	UNIT	QUANT	RATE	AMOUNT	UNIT	QUANT	RATE	AMOUNT
Professional fees	%	12.5%		717,380.16	%	12.5%		670,585.20
Demolition	m ²	0	n/a	-	m ²	0	n/a	-
Building	m ²	1119	4,500.00	5,035,500.00	m ²	4279	625.00	2,674,375.00
Civil Services	m ²	1119	209.40	234,321.31	m ²	4279	209.40	896,032.96
Electrical (Bulk)	m ²	1119	258.28	289,010.84	m ²	4279	258.28	1,105,163.00
Landscaping	m ²	1119	161.04	180,209.12	m ²	4279	161.04	689,110.66
NHBRC	m ²	0	-	-	m ²			
Plan Approval Fees	m ²			111,900.00	m ²			427,900.00
Developent Contributions				296,204.00		-	-	-
Contingency	%	8%	5,739,041.27	430,428.10	%	7.50%	5,364,681.62	402,351.12
			TOTAL	7,294,953.53			TOTAL	6,865,517.95
			TOTAL PER SQM	6,519.17			TOTAL PER SQM	1,604.47



Feasibility: Tafelberg School

Feasibility Results

Key Project Results	%
Project IRR pre-tax, post-grant (excludes residual value)	19.77%
Maximum Weighted Average Cost of Capital	10.60%
Initial yield on total capital cost	3.56%
Initial yield on capital cost less grant funding	13.81%
Initial yield on equity	0.00%
Return on equity (RoE)	0.00%
Minimum debt service cover ratio	1.3
Maximum cost to income ratio	35.90%
Loan to value	58%



Woodstock Hospital



Woodstock Hospital



Woodstock Hospital



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Google earth

33°55'53.51" S 18°26'56.92" E elev 34 m

Eye alt 33 m

Woodstock Hospital



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Mountain Road / Salisbury Street

Google earth

23°55'57.10" S, 18°26'57.78" E, elev. 46 m

Exp. alt. 45 m

Woodstock Hospital



LEGEND

-  Province owned site
-  General Residential R3
-  Street Uses
-  General Business B3
-  Single Dwelling Residential
-  Public Open Space
-  Community Facility
-  Municipal Purposes

Woodstock Hospital



LEGEND

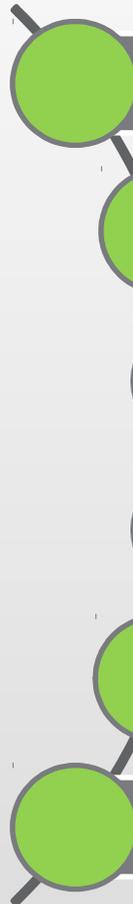


Province owned site

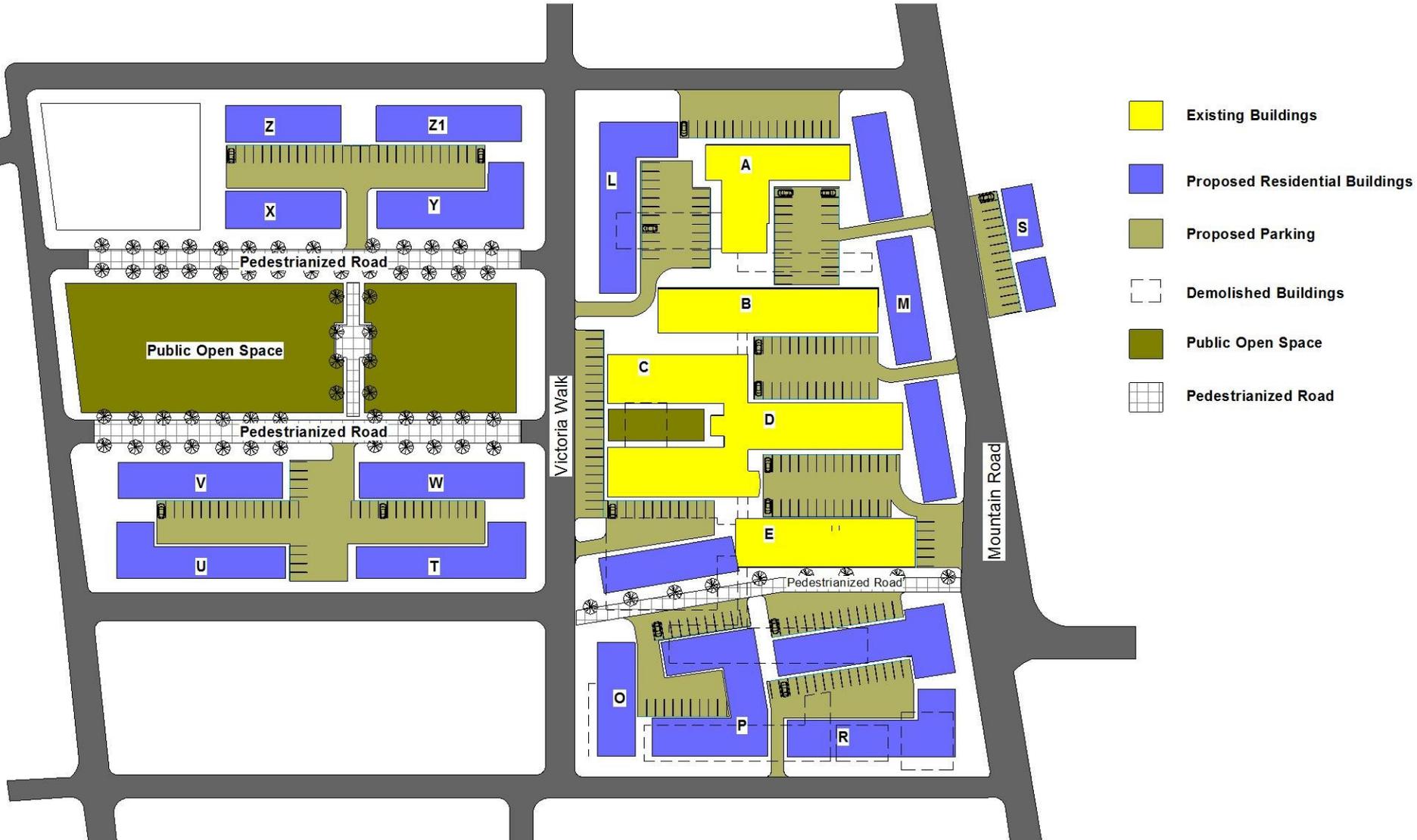


Declared conservation area

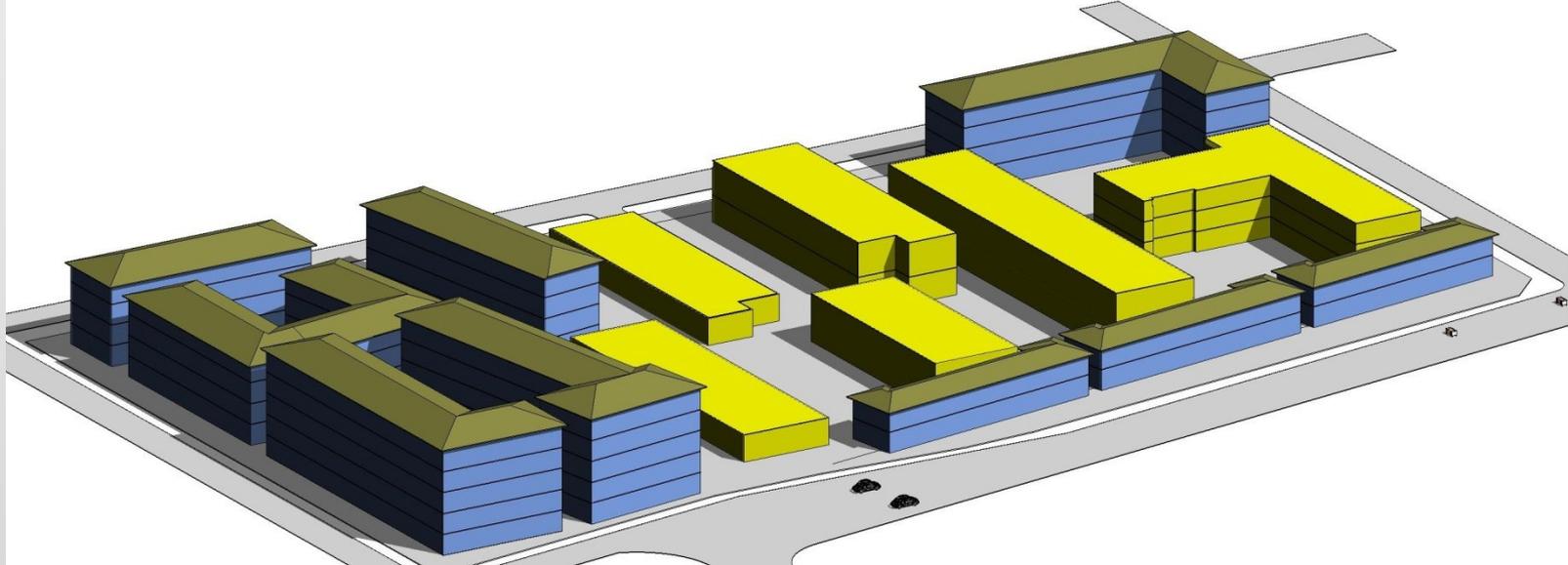
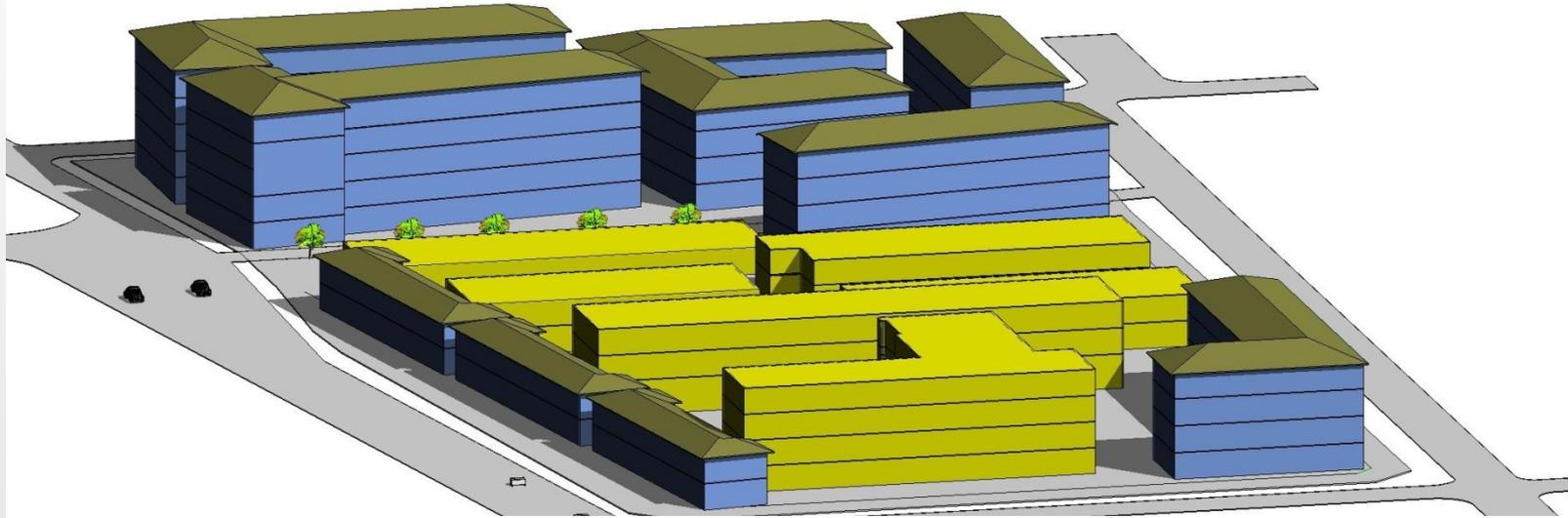
Woodstock Hospital

- 
- Location - Good
 - Zoning & Environmental - OK
 - Heritage - OK
 - Services - Good albeit not immediately
 - Topo & Geotech - Good
 - Access & Amenities - Good

Urban Design: Woodstock Hospital



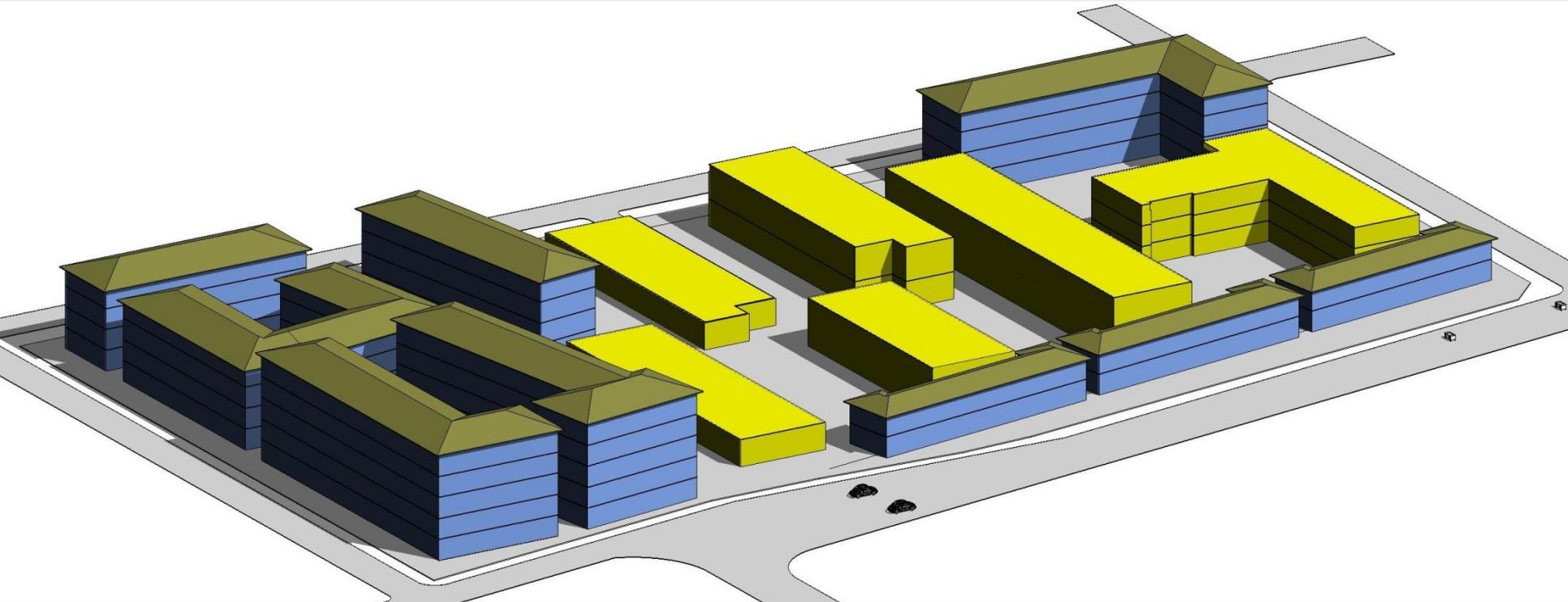
Urban Design: Woodstock Hospital



Urban Design: Woodstock Hospital



Urban Design: Woodstock Hospital



Feasibility: Woodstock Hospital

Unit Ratios & Rentals

MARKET	UNITTYPE		BACHELOR	1 BED SMALL	1 BED LARGE	2 BED SMALL	2 BED LARGE	TOTAL	SUBTOTALS
	AVG RENTAL		R 700.00	R 822.00	R 1,720.00	R 2,050.00	R 2,250.00		
	INCOME BANDS		18%	12%	12%	28%	28%	100%	
PRIMARY	-	1,499.00						0	172
	1,500.00	3,499.00	102	70				172	
SECONDARY	3,500.00	7,500.00			70	160	160	390	390
	7,500.00							0	
			102	140		320		562	562



Feasibility: Woodstock Hospital

Cost Estimates

BUILDING TYPE	NEW BUILD				REFURBISH			
NO OF UNITS	562				158			
	UNIT	QUANT	RATE	AMOUNT	UNIT	QUANT	RATE	AMOUNT
Professional fees	%	11.50%	29,165.02	16,390,742.60	%	12.50%	24,100.46	3,807,872.26
Demolition	m ²	4753	500.00	2,376,500.00	m ²	0	n/a	-
Building (Residential)	Unit	562	196,436.28	110,397,188.54	Unit	158	145,413.00	22,975,254.00
Civil Services	Unit	562	20,321.48	11,420,673.29	Unit	158	15,321.48	2,420,794.27
Electrical (Bulk)	Unit	562	12,331.04	6,930,044.48	Unit	158	9,248.28	1,461,228.24
Landscaping	Unit	562	3,220.90	1,810,143.44	Unit	158	2,720.90	429,901.54
NHBRC	Unit	562	1,101.43	619,003.21	Unit	158	1,101.43	174,025.81
Plan Approval Fees	Unit	562	100.00	56,200.00	Unit	158	100.00	15,800.00
Contingency	%	5.00%	130,558,049.75	6,527,902.49	%	8%	27,287,178.05	2,046,538.35
			TOTAL	156,528,398.05			TOTAL	33,331,414.47
			TOTAL PER UNIT	278,520.28			TOTAL PER UNIT	210,958.32



Feasibility: Woodstock Hospital

Key Project Results	%
Project IRR pre-tax, post-grant (excludes residual value)	18.52%
Maximum Weighted Average Cost of Capital	10.40%
Initial yield on total capital cost	3.21%
Initial yield on capital cost less grant funding	12.52%
Initial yield on equity	0.00%
Return on equity (RoE)	0.00%
Minimum debt service cover ratio	1.3
Maximum cost to income ratio	35.90%
Loan to value	56%



Oude Molen



Oude Molen

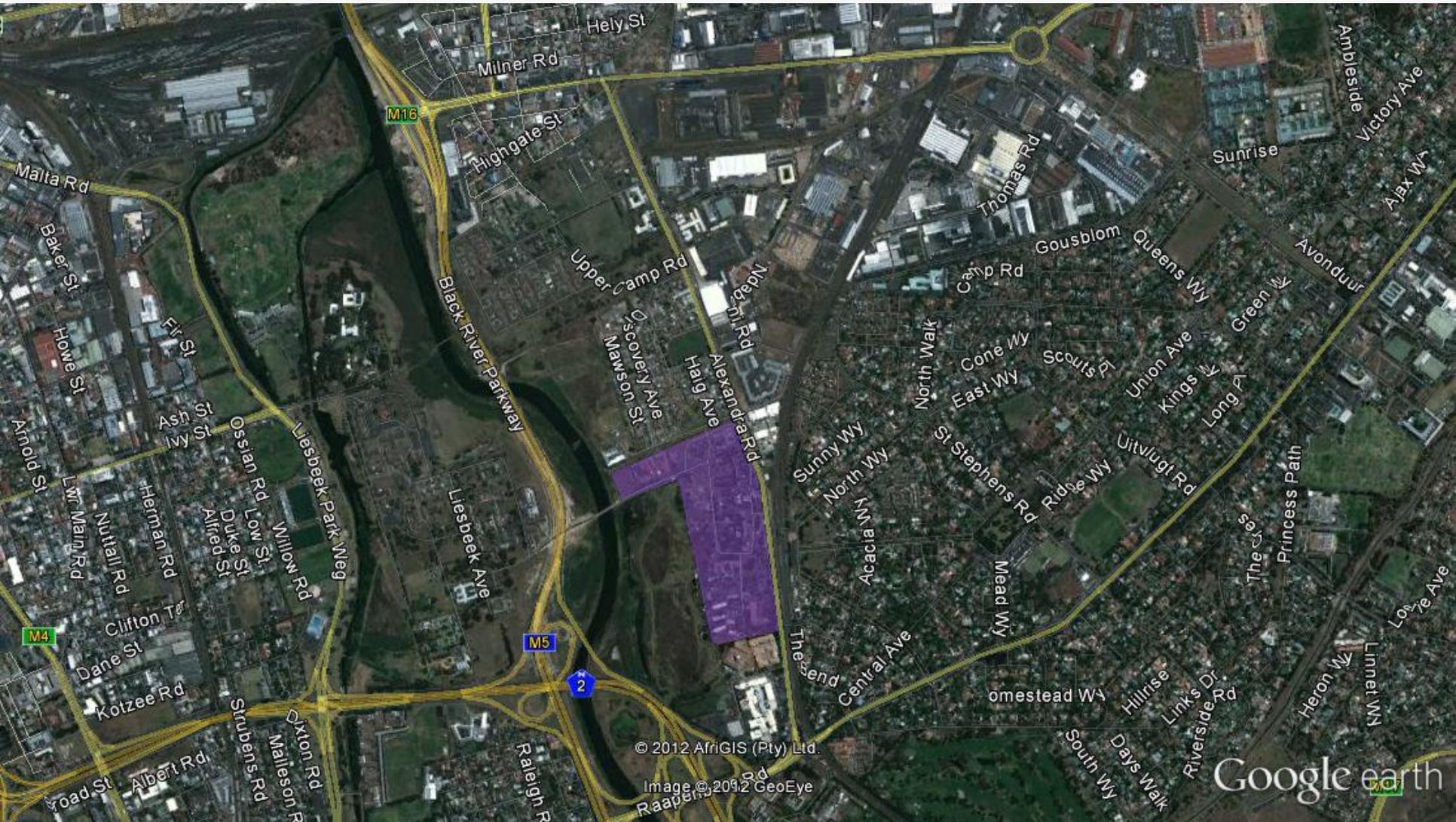


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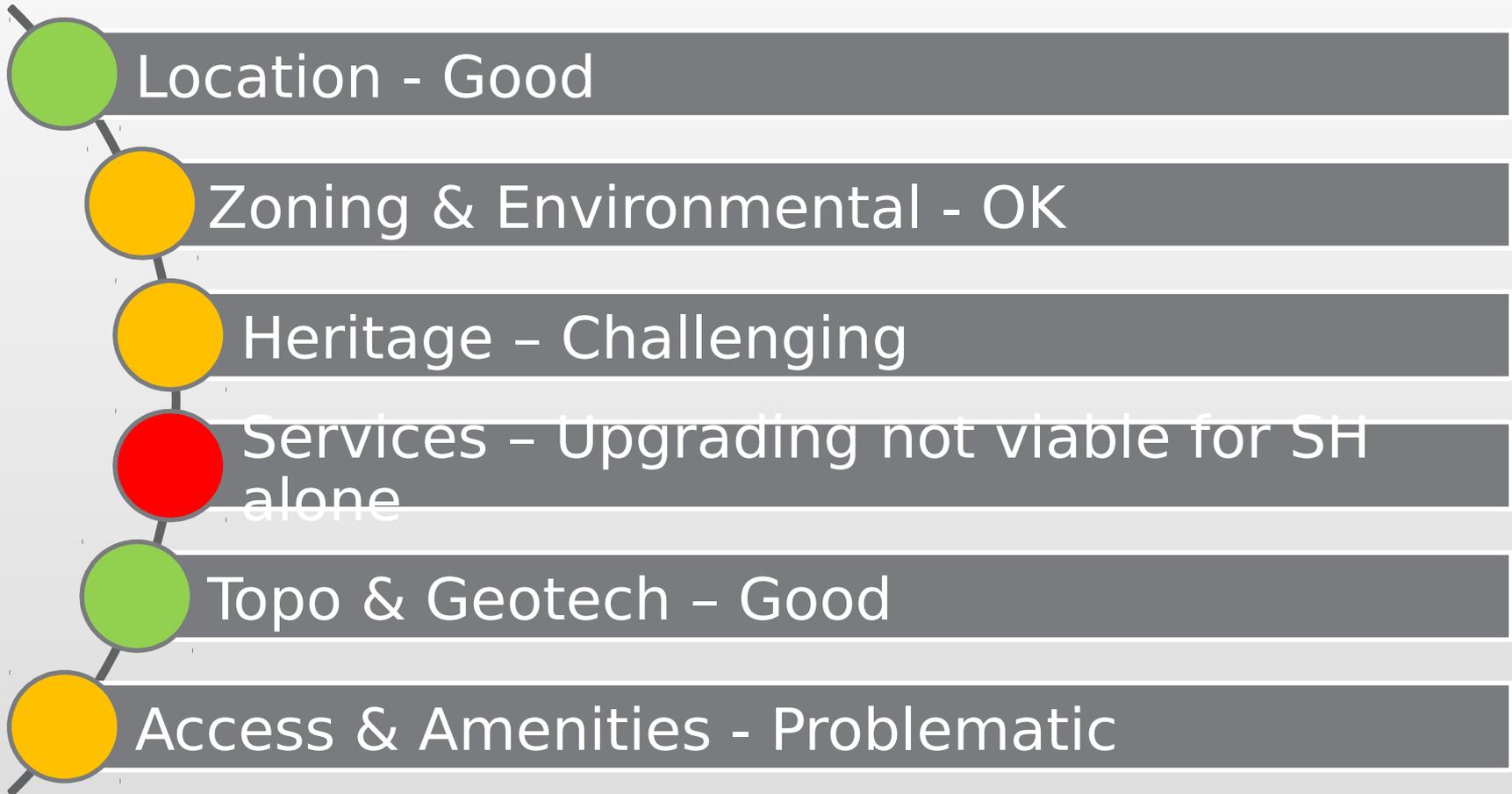
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Google earth

Oude Molen



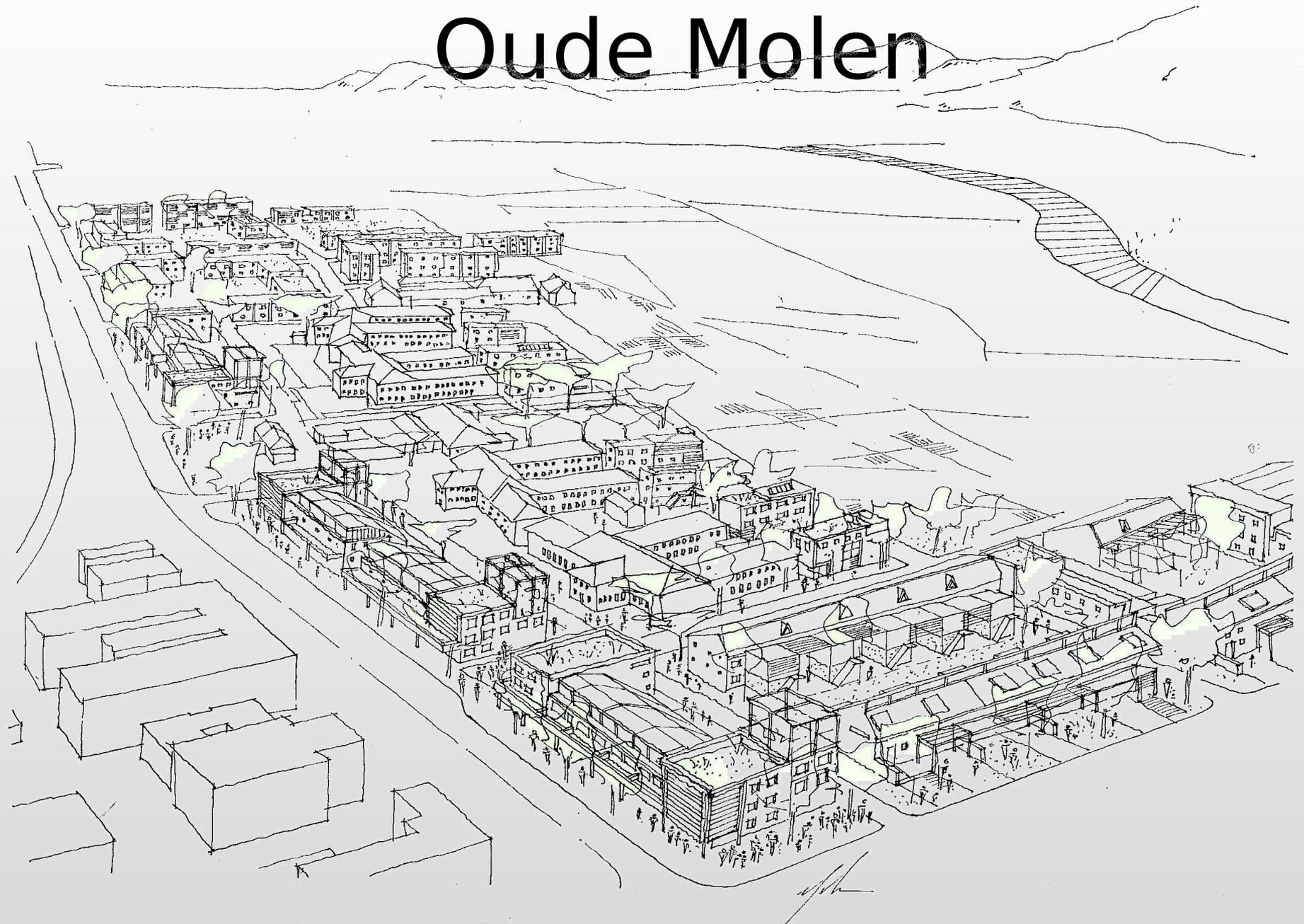
Oude Molen



Oude Molen



Oude Molen



Thank you

- Questions and Comments?



Summary contd.

- Savings in maintenance and operating costs;
- Increased asset value;
- Asset remains in public ownership in perpetuity – available to future generations;
- Contribute to the Outcomes 8: Output 2 objectives (Increased Provision of Well Located and Affordably Priced Rental Accommodation).
- SRH is viable on Tafelberg & Woodstock properties

Summary : SRH best & highest use

- More difficult to fulfil all objectives equally on all sites;
- Income obtained from mixing commercial and social objectives on all sites will be less;
- Cape Town most segregated metro - obligation to redress spatial dysfuntionalities;
- Lowest life cycle cost of all forms of housing & more sustainable.
- Lowest long term burden for occupants and most sustainable & welcoming living conditions of subsidised housing models

Additional Imperatives:

State of South African Cities

- 20th Century dramatic urbanisation.
- Based on spatial segregation
- Last 20 – 30 years Inner City Decay & Capital Flight.
 - Reversed spatial segregation, but
 - Accelerated decay & Illegal Occupations
- Recent re-generation (Private & SHIs)
- Cape Town – notable exception

Additional Imperatives:

City of Cape Town

- Prevented decay
 - Municipality, Cape Town Partnership & Tourism
- High Property Values
- Painfully few affordable housing opportunities
- “Most segregated Central City in S.A.”
- Housing GAP larger in Cape Town than elsewhere.
- Very high rental demand esp. City Centre
- SRH best delivery vehicle to realise
 - “City for all citizens”
 - Social cohesion, Empowerment, Spatial Integration.