

# GM SA FOUNDATION HOUSING PROGRESS REPORT First quarter of 2015

The Foundation's effective housing initiative for 2015 consists of the following three categories:

- Project Investigation (Section 3.2): The investigation of as many as possible parcels of well-located state and municipal owned land for the expanded and improved roll-out of the Walmer Link mixed income and mixed tenure model.
- Project Development (Section 3.3): The development of the Willowdene Social Housing Project which is expected to be two-thirds complete by 2015 year-end plus the continuation of the construction of the FLISP houses at Walmer Link.
- Model Replication (Section 3.4): The promotion of the replication of the Foundation's housing models using three parallel approaches, namely:
  - The preparation of educational materials;
  - The dissemination of information through lectures, workshops, etc;
  - Providing guidance to other potential replicating agents.

## 1) PROJECT INVESTIGATIONS

- Progress has been made during the quarter on a number of potential **social housing** projects as follows:
  - **Mount Croix** (PE) – 250 units – Mayoral approval secured, still to be considered by full Council, approval expected, despite on-going dialogue residents expected to appeal.
  - **Walmer Link** multi-purpose site – 150 units (in school and community centre) – Financial modelling problematic, interactions with St Christopher's private school (KWT), potential international donors in PE 8<sup>th</sup> to 26<sup>th</sup> April.
  - **Coega Village** (PE) – 632 units – Coega Development Corporation prepared to provide land and debt finance, project registered with DoHS.
  - **John Street** (Uitenhage) – 250 units – Negotiations under way for land transfer, discussions being held with Uitenhage politicians.
  - **NMMU** student accommodation (PE) – 200 units – One of two NMMU shortlisted developers.
- Progress has been made during the quarter on a number of potential **combined social and FLISP housing** projects as follows:
  - **Parsonsvlei** (PE) – Over 2000 units – Response still awaited following Sep 2014 submission and Dec 2014 presentation.

- **Fairview West** (PE) – 1360 units – Land availability agreement being prepared by Province, lack of bulk services under discussion with Metro.
- **Forest Hill** (PE) – 1200 units – Approved by Council for submission to Minister Sisulu as ‘mega project’ for urgent funding.
- **Algoa Park** (PE) – 902 units - Approved by Council for submission to Minister Sisulu as ‘mega project’ for urgent funding.
- A number of other projects which the Foundation has been investigating for a number of years and for which some basic approvals have been secured are currently stalled for a variety of reasons as shown below:
  - **Kouga** (Jeffreys Bay) – 300 units - Procurement dispute between Province and Council.
  - **Lower Baakens Valley** (PE) – 676 units - GAPP Consortium appointed by Mandela Bay Development Agency to assess the project.
  - **Lower Yard** (Uitenhage) – 2 000 units – SARS to remove major asbestos contamination of the site.
  - **Motherwell** (PE) – 333 units – Motherwell still to be declared formally as a Restructuring Zone.
  - **Mermaid** site (PE Central) – 200 units – Third phase study under way by MBDA.
  - **Bethelsdorp** (PE) – 133 units – Planning and funding approvals proving problematic.
  - **Telkom Park** (PE) – Nov 2014 submission under consideration.
  - **Dalton** (Uitenhage) – LAA to be transferred from defunct Uitenhage Housing Association is apparently lost.

## 2) PROJECT DEVELOPMENT

### WALMER LINK FLISP HOUSES

- 202 (47%) of the 430 housing units have been completed, 140 (33%) have been transferred and registered, 20 (5%) are currently under construction and 208 (48%) are still to be constructed.
- Because of increasing building costs, static subsidies and very tight affordability margins, The Home Market is no longer selling houses to people earning below R6000 per month. Currently the average selling price per house is R229 500.
- The pace of construction is reliant on the amount of funding available. Construction is well ahead of occupation because the pace of registration has been far slower than anticipated, with lengthy delays in the registration process and in the payment of the FLISP subsidies by the DoHS.
- It is anticipated that construction will continue to mid-2016 and not be completed by the end of 2015 as was originally intended.
- The revolving fund of R14,5 million provided by the GMSA Foundation is proving to be invaluable in controlling the cash flow.
- The project is now approaching the end of Phase 6, which is the last phase served by the electrical sub-station. The Home Market will need to finance an additional sub-station including transformers and switchgear

at a cost of R948 695 before the houses in the last three phases can be built.

- Financing of the traffic light controlled second entrance into Walmer Link in 11<sup>th</sup> Avenue from the tenant grant is no longer available and will have to be sought elsewhere. Miss Koyana of the E Cape DoHS has requested that a funding application be sent to her.
- As the Municipality is currently building large stormwater detention ponds on open land adjacent to Walmer Link, construction of the intersection cannot be undertaken before July 2015.

#### **FAIRVIEW LINK SOCIAL HOUSING**

- Construction of the 368 unit R102m project was completed in Dec 2014 and all units have been tenanted by Imizi.
- The Contractor's defect liability period extends to the end of March 2015 when the Final Completion Certificate will be issued and the remaining amount from the Restructuring Capital Grant will be released by the Social Housing Regulatory Authority (SHRA).
- This RCG payment will be used by The Home Market to pay the R2.2m retention amount to the Contractor and the R3m property transfer costs to SARS.

#### **WILLOWDENE SOCIAL HOUSING**

- All administrative, site and building plan approvals have been secured.
- All professional team members have been appointed and, following the tendering process, contracts have been signed for the civils works and the building construction.
- Bush clearing and the shaping of the site for stormwater management purposes are currently underway.
- Following the submission of the budget and cash flow to the SHRA, a claim was sent to the SHRA at the end of February. Receipt of the claim was acknowledged and the assurance was given that the claim would be processed immediately. However, some five weeks later no payment had been received.
- As this is a R136.6m project, claim management is of crucial importance as THM has minimal reserves to even out the cash flow in the event of late payment claims.

### **3) MODEL REPLICATION**

<b>REPLICATION APPROACHES</b>	<b>PROGRESS INDICATORS END MARCH 2015</b>
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<ul style="list-style-type: none"> <li>• Educational Materials</li> </ul>	<ul style="list-style-type: none"> <li>• Textbook 1 (<i>House and Settlement Design: Guidelines for Subsidised Housing</i>) currently at printers. The intention is to distribute at universities starting with second year Human Settlement degree students at NMMU.</li> <li>• 2 Walmer Link DVDs complete. The intention is to upload on GMSAF &amp; THM websites and make available to a wide audience; from potential tenants and home owners to government departments, banks, students, professional bodies, developers, etc.</li> <li>• 2 Short Learning Programmes are being developed to be offered at the NMMU in 2016: <ul style="list-style-type: none"> <li>○ Understanding Housing Subsidy Instruments</li> <li>○ Implementing a FLISP Project</li> </ul> </li> <li>• Position Paper re Housing Subsidy Income Brackets is being developed and a letter regarding the emergence of a double gap at the Walmer Link FLISP project has been sent to the National Minister.</li> </ul>
<ul style="list-style-type: none"> <li>• Dissemination</li> </ul>	<ul style="list-style-type: none"> <li>• A 2 day programme in mid Feb was hosted in PE for 2 representatives from Neoprocyon, an emerging developer/ contractor from Middelburg in Mpumalanga. Detailed information was shared about the Social Housing and FLISP housing programmes.</li> </ul>
<ul style="list-style-type: none"> <li>• Assistance</li> </ul>	<ul style="list-style-type: none"> <li>• Discussions with the Contractor, Okkie Steyn have commenced regarding the on-site mentoring of 2 or 3 graduate students on the Willoldene and Walmer projects currently under construction.</li> </ul>

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