

**THE PLANNING SYSTEM, PROPERTY MARKETS AND THE DEVELOPMENT OF
AFFORDABLE HOUSING: CASE STUDIES FROM CAPE TOWN**

BY

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ABSTRACT

THE PLANNING SYSTEM, PROPERTY MARKETS AND THE DEVELOPMENT OF AFFORDABLE HOUSING: CASE STUDIES FROM CAPE TOWN

The study investigates the underlying causal mechanisms behind the outcomes in the affordable housing market in South Africa. The rationale for this study is the persistence of unfavourable outcomes in terms of location, density, integration and affordability of affordable housing developments. The post-apartheid government adopted housing policies, supporting planning policies and directed financial investment towards the development of integrated affordable housing at appropriate locations and densities. However, more than 20 years after democracy, there is no evidence that affordable housing is integrated and being developed at higher densities and appropriate locations, despite the principles of densification, integration and the creative use of town planning tools bestowed in the housing policies.

This study, using structure and agency theory, investigates how structural variables (planning system and policy framework, resources for housing development and ideological perspectives) influenced the agency of role players in producing the current outcomes in the affordable housing market. The study investigated two interrelated questions. Firstly, how have the ideals of planning incentives, densification and integration reflected in the housing policies influenced the post-apartheid planning systems? Secondly, how do the planning system and other structural variables impact on the property and housing market and how does this, in turn, produce the current outcomes regarding the location, density, integration and affordability of affordable housing. Corresponding to these questions were two hypotheses. The first was that the principles of planning incentives, densification and integration espoused in housing policy have not been sufficiently reflected in the planning system, leading to failure in stimulating the private sector to supply affordable housing. The second hypothesis was that the planning system fails to counteract the tendencies of private developers to locate housing at inappropriate densities and locations.

Using the conceptual framework designed from structure-agency theory, this study adopted a comparative case study method to investigate how the interactions of role players with the structural variables led to the outcomes in terms of location, density, integration and affordability of five affordable housing developments in the City of Cape Town metropolitan area. The case studies of affordable housing developments were categorised in terms of the type of developers, tenure options and land ownership. The empirical data were collected using household surveys and semi-structured interviews. A household survey of 395 beneficiaries was conducted in the affordable housing developments. Semi-structured interviews were conducted with developers and planning consultants in the private sector, state policy makers and policy-implementers at the City of Cape Town and the provincial Department of Human Settlements, housing activists and housing policy specialists.

The study finds that while the principles in housing policies are reflected in the planning system, there is no clear indication on the meaning and expected outcomes, leading to a disjuncture in policy intent, implementation, and failure to stimulate the private sector to supply affordable housing. Furthermore, the study finds that the planning system has lagged behind in providing adequate legislative and planning tools to support the development of affordable housing.

The study finds that the planning system and policy framework has constrained the development of affordable housing and failed to successfully curb the tendencies of developers to develop at inappropriate locations and densities. The study finds that while the structural variables such as the resources for housing development and planning system and policy framework impacted on the location, density, integration and affordability of affordable housing; the ideological perspectives of role players have impacted on the roles and distribution of resources towards the development of affordable housing.

The study concludes that while the housing policy has been progressive, it is not sufficient to address the challenges in the affordable housing market. It is recommended that policy interventions targeted at enhancing the location, density, integration and affordability be implemented through the three areas that constitute the structural environment, namely the planning and policy framework, resources for housing development, and ideological perspectives of role players in order to impact on the agency of role players to create an environment conducive to the development of integrated affordable housing at higher densities and appropriate locations.

LIST OF PUBLICATIONS ARISING FROM THIS RESEARCH

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Dedicated to my daughter Tinevimbo.

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LIST OF ACRONYMS

BEPP	Built Environment Performance Plan
BNG	Breaking New Ground Policy
CRU	Community Residential Unit
DFA	Development Facilitation Act (1995)
EIA	Environmental Impact Assessment
FAR	Floor Area Ratio
FFC	Finance and Fiscal Commission
FLISP	Finance Linked Individual Subsidy Programme
HSDG	Human Settlements Development Grant
IAD	Institutional Analysis for Development
IDP	Integrated Development Plan
IHP	Inclusionary Housing Policy
IRDP	Integrated Residential Development Programme
LeFTEA	Less Formal Townships Establishment Act of 1991
MBA	Master Builders and Allied Trades Association
MFMA	Municipal Finance Management Act
NHBRC	National Home Builders Regulatory Council
NHFC	National Housing Finance Corporation
NURCHA	National Urban Reconstruction and Housing Agency
RCG	Restructuring Capital Grant
RDP	Restructuring Development Programme
RHLF	Rural Housing Loan Fund
SABS	South African Bureau of Standards
SDF	Spatial Development Framework
SHI	Social Housing Institutions
SoCR	State of the Cities Report
SPLUMA	Spatial Planning and Land Use Management Act (2013)

SPSS	Statistical Package for Social Sciences
TDA	Transport and Urban Development Authority
TPC	Town Planning Compliant
UDZ	Urban Development Zones
URZ	Urban Restructuring Zones
USDG	Urban Settlements Development Grant
VPADD	Voluntary Pro-Active Deal Driven

1 CHAPTER ONE: INTRODUCTION

1.1 BACKGROUND

South Africa's housing sector is not delivering at the rate and scale needed, nor is it serving the diversity of the market given varying levels of affordability and access to credit (Centre for Affordable Housing Finance in Africa, 2015). The growing concern is on the pace, scale, locality and cost of delivery associated with both the fully subsidised market and the affordable housing market, despite a myriad of housing and planning policies aimed at addressing these challenges.

Affordable housing is a term that is loosely used, depending on different interpretations and views. Defined in terms of income and property value, this study will adopt the definition by the Department of Human Settlements. The Department of Human Settlements defines the affordable housing market in South Africa as represented by those households falling within the R3, 500 and R15, 000 monthly income groups. This is the property segment valued at less than R500, 000 (Rust, 2010). Households in this segment are too well-off to qualify for a fully subsidised RDP house and are too poor to access a conventional mortgage loan. This category is known as the "gap market". According to Rust (2010), the gap market is an important emerging sector in the South African property market, with the most people and the most properties both for rental and for sale.

In the South African context, the problem is not only about the failed efforts by both the government and the private sector to provide housing for the gap market, but the unavailability of well-located land, bulk infrastructure and inefficiencies in the housing delivery process (Finance and Fiscal Commission (FFC), 2013), which are all key to housing development, in a country battling with the spatial legacy of apartheid. Tsatsaronis and Zhu (2004) noted that the housing and property market are influenced by various role players such as the availability and cost of land, the cost of construction and investments in the improvement of the quality of existing housing stock; growth in household disposable income, gradual shifts in demographics, the structure of the mortgage finance markets, interest rates and government intervention.

While there are fiscal and regulatory forms of government intervention, the planning system in its various guises is one of the most significant drivers of the housing and property market.

The most salient characteristics of the planning system are spatial planning and land use management. While spatial planning is concerned with coordinating and guiding land uses and linkages between them to balance demands for development with the need to protect the environment and to achieve social and economic development objectives, land use management is a regulatory mechanism which aims to increase the efficiency of the use of land and to ensure greater equity in that use (Whitehead, 2007).

Berrisford and Kihato (2008) provide a useful way of locating land use management activities by suggesting that “the broad concept of planning has two parts: those activities that are geared towards shaping development over a period of time such as integrated development plans, and those that implement strategic plans”. These monitoring and implementing instruments include various legal and regulatory mechanisms used to regulate land development and land uses, including zoning schemes and these are known as land use management systems. According to Cheshire *et al.* (2012), planning systems set rules and guidelines that control the supply and location of land usable for a full set of legally defined purposes independently of price and so influence the level, location and pattern of activity. Town planning schemes are used for the purposes of land use management on a daily basis and they provide the legal basis and definitions for rights to develop and use any parcel of land in a municipality according to the specified zonings. According to Beer *et al.* (2007), planning as a form of regulation has been seen to occupy an equivocal position with respect to housing affordability. Planning can be seen to restrict the supply of land for residential development and impose additional costs on developers, at the same time planning bonuses and similar tools are considered potentially valuable in meeting the housing needs of low-income households. Adams and Watkins (2002), Kim (2011) and Whitehead (2006) attested to the idea that planning constraints can impact on different groups of role players including developers, existing landowners and new purchasers since they lead to higher prices, densities, restrictions in the quantity of homes supplied and convergence in the type and design of homes.

Closely linked to the point above, the impact of planning can be experienced by various role players in the property market. Such impact is direct in the property development market but indirect in the user and investment market (Adams & Tiesdell, 2010). This impact operates through three types of policy instruments, intended respectively to shape, regulate and stimulate the market. In a context within which market actions and transactions occur, market shaping tools maybe more (or less) directive (i.e. intended to achieve particular and identifiable purposes/ intended outcomes). For example, plans can be considered to be a market shaping tool through the provision of information, which may reduce uncertainty, indicate government

intentions and provide information about regulatory policies (Adams *et al.*, 2005). Market regulation tools seek to regulate and control market actions and transactions. Regulations affect decisions by restricting the set of choices available (Tiesdell & Adams, 2011). While regulations put parameters around (and thereby constrain) market actor's opportunity space, market stimulation tools do not limit choices but simply change the contours of that opportunity space making some advantageous strategies to market role players like through planning gains, subsidies and tax breaks. By considering the impact of planning tools on the property market, salient lessons can be drawn for the South African housing sector.

The South African housing landscape is marred by a massive backlog of about 2.1 million houses, with 725 000 falling in the gap market during the 2009/10 period (Rust, 2010). The main challenge for affordable housing is a shortage of well-located land for housing development (Rust, 2010; FFC, 2013; Tissington, 2010), despite 70 000 hectares of state-owned land having been identified for housing developments but none made available for this purpose (FFC, 2013). This is exacerbated by poor land assembly mechanisms, greater affordability of land at the urban periphery as opposed to expensive land in more central areas coupled with insufficient subsidy amounts to build at higher densities to offset the higher land costs (Venter *et al.*, 2004). A lack of well-located land leads to the development of settlements on the periphery of towns, far away from amenities, thereby intensifying urban sprawl and increasing the daily reproductive costs of the poor (Newton & Schuermans, 2013; Seekings, 2000; Jenkins, 1999). In the case of the gap market, most people will remain housed in inadequate accommodation such as informal settlements and backyard rooms.

The debate on combating urban sprawl, densification and integration has been strongly supported by various policies in South Africa and international best practices, though, unlike in other countries, the debates in South Africa emanated from the history of apartheid. The compact city form idea constitutes the core principles of the Development Facilitation Act (1995) which was intended to guide all the physical planning and development, and which are embedded in the White Paper on Urban Development (1997), the Breaking New Ground Policy of 2004, the Inclusionary Housing Policy of 2007, and the Spatial Planning Land-Use Management Act of 2013. Todes (2003) highlighted that an emphasis on restructuring away from an apartheid urban form and on creating more integrated cities has meant that the location and form of housing for low-income households is a key concern.

As the government attempts to redress the legacy of apartheid, the provision of adequate housing remains its major focus. The aim of the White Paper on Housing (1994) was to “*create viable, integrated settlements where households could access opportunities, infrastructure*

and services...” It intended to address the housing needs of households earning less than R3, 500 per month. The programme was not restricted to households falling in this category but assumed that people earning above R3, 500 would be able to access formal housing finance (Steedley, 2014). However, this was not the case as many people were left without access to adequate and affordable housing. The gap market was first acknowledged in 2004 in the Breaking New Ground policy. In recognition of the need to address this income segment, the Breaking New Ground policy (2004) proposed the introduction of a lending instrument that would allow households earning between R3, 500 and R7, 000 to access private sector funding. Further, the Breaking New Ground Policy encouraged the development of sustainable human settlements by promoting densification, integration, engaging the private sector and enhancing spatial planning.

The focus on affordable housing and creating spatially integrated and inclusive settlements was re-emphasised by the Inclusionary Housing Policy (IHP, 2007). This policy aimed to incentivise or compel the private sector to provide accommodation for low-income to lower middle-income households in areas which they might otherwise be excluded from due to the dynamics of the land market (Tissington, 2010). It seeks to achieve this goal through the Voluntary Pro-Active Deal Driven strategy (VPADD) and the Town Planning Compliant (TPC) approach. In the voluntary approach, municipalities identify inclusionary housing projects that they want to actively pursue with private sector partners, possibly using local government-owned land and other incentives. With the Town Planning Compliant component, the IHP aimed to ensure that the rapid housing delivery of affordable housing was set off using mandatory requirements and process of land use planning and development such as township establishment procedures, zoning and rezoning development approvals in return for incentives such as density bonuses, allowance for multi-storey units, some commercial rights and public investment in bulk and connector infrastructure.

The objectives of the Breaking New Ground policy called for the creative use of planning instruments to promote densification and integration (Tomlinson & Narsoo, 2008) and this could be achieved by implementing the strategies highlighted in the Inclusionary Housing Policy. The Inclusionary Housing Policy’s Town Planning Compliant was meant to be first implemented in ten Cities Network cities (IHP, 2007); however, it has been slow to get off the ground and confined to urban areas. According to Smit and Purchase (2006) cited in Tissington (2010), there have been misgivings about continued spatial skewing because the development of such projects thus far took place only in urban areas and very few municipalities have the capacity to administer the programme. Gauteng, Western Cape and Ethekewini led the way in requiring developers to include affordable housing in their projects

(Tissington, 2010). However, Huchzermeyer (2010) argued that the impact of these projects on urban integration and inclusion remains negligible. According to King and Napier (2015), South Africa has had a lot of policy rhetoric about the virtues of high-density, mixed use, mixed-income living, while investments have gone in the opposite direction. Pithouse (2009) concur that even though the Breaking New Ground policy aired the same principles, it was not successfully implemented to facilitate this new direction. The National Urban Development Framework of 2009 states that policies since 1994 have not succeeded in restructuring the apartheid spatial patterns, while the National Planning Commission (2011) identified “spatial challenges that continue to marginalise the poor” as one of the critical cross-cutting issues that will influence the country’s long-term development. The National Development Plan 2030 identified the transformation of human settlements as one of its key elements. The plan recognises that many of the elements of its spatial vision were known and accepted in 1994 but that the challenge has been “to translate the vision into implementation and meaningful spatial outcomes” (National Planning Commission, 2012).

Besides the focus on budgets, subsidies and other institutional arrangements, the White Paper on Housing focused on land and planning issues as they impacted on housing delivery. It clearly states that “*The historical and existing patterns of land use and allocation as well as the legislative framework associated to land, provides an immense challenge and constraint. A fundamental approach will be required to make the housing programme a sustainable reality*”. In this instance, the White Paper acknowledged the dysfunctional human settlements that were inherited from the apartheid era. These are still some of the issues that cause criticism in today’s housing settlements. According to Berrisford (2011), despite a widely acknowledged link between old planning laws and the spatial legacy of apartheid, South Africa has been unable to effect major changes to the legal frameworks governing land use and land development. Until 2013, when the Spatial Planning and Land Use Management Act, 2013 (Act 16 of 2013) was promulgated, the same laws that were used to implement apartheid’s segregation and inequality policies remained in use. The only exception was the Development Facilitation Act, 1995 (Act 67 of 1995) which was an interim law to speed up development with low-income housing development in mind, until its demise in 2010. This implies that some of the problems associated with housing delivery in South Africa are linked to spatial planning and land use management.

According to the State of the Cities Report (SoCR, 2011) progress in delivering housing to the affordable market segment has been limited. Addressing the supply of housing to the affordable markets, Rust (2014) presents a picture in which the formal legacy of apartheid’s disparities has transmuted into a familiar pattern of spatial and socio-economic disparities in

which the exclusion and marginalisation of previously disadvantaged communities have become entrenched in the post-apartheid dispensation (Ngandu *et al.*, 2010).

1.2 PROBLEM STATEMENT

The White Paper on Housing (1994) aimed to create viable, integrated settlements where households could access opportunities, infrastructure and services by incorporating spatial planning principles. Subsequent policies such as the Breaking New Ground (2004) and Inclusionary Housing Policy (2007) amongst others identified planning as playing an integral role in the housing sector. Crucial planning policies introduced post-1994 included the Development Facilitation Act (1995) and the Spatial Planning and Land Use Management Act (2013). The period from 1994 saw a change in housing and planning policies, with an emphasis mostly on redressing the spatial legacy of apartheid, at the same time incorporating spatial planning concepts such as the compact urban form, densification, zoning regulations and the use of incentives to accentuate housing development. Integrated development plans and spatial development frameworks were some of the crucial tools adopted to guide development. Despite the spatial claims made in the White Paper on Housing, the financial investment by the government, planning incentives and the supporting planning policies, the affordable housing segment is still marred by many problems.

The puzzle that requires explanation is that despite the ideals of densification and integration cited in the White Paper on housing, the use of creative planning instruments (Voluntary Pro-Active Deal Driven strategy and the Town Planning Compliant approach) identified in the Inclusionary Housing Policy to implement these ideals; more than 20 years after democracy, there is no evidence that socially integrated affordable housing is being developed at higher densities and in good locations.

This study has one main question and two sub questions. The main question is: Why is it that there is no greater development of affordable housing at higher densities and at appropriate locations despite the principles of densification, integration and the creative use of town planning tools bestowed in the housing policies? The sub questions are: (i) how have the ideals of planning incentives, densification and integration reflected in the housing policies influenced the post-apartheid planning systems? (ii) how do the planning system and other structural variables impact on the property and (iii) housing market and how does this in turn produce the current outcomes regarding the location, densities, integration and affordability of affordable housing?

1.3 AIMS AND OBJECTIVES

The aim of the study is to investigate why there is no greater development of integrated affordable housing at higher densities and appropriate locations despite the vision of compact, integrated settlements in the White Paper and housing policies. To achieve this aim, the objectives of the study are:

- To identify the planning and housing policies and investigate how changes in housing policy has influenced the planning system in South Africa.
- To investigate the relationship between the planning system, other structural variables, the constraints faced, and strategies used by policy-makers and policy-implementers in the delivery of affordable housing that is well located, integrated and at appropriate densities.
- To investigate the relationship between the planning systems, other structural variables, constraints faced, and the strategies employed by developers to mitigate the challenges faced during the development of affordable housing.
- To make recommendations on the development of affordable housing that is well located, at appropriate densities, integrated and affordable.

1.4 HYPOTHESIS

The hypotheses of this study are:

- The principles of planning incentives, densification and integration espoused in housing policy have not been sufficiently reflected in the planning system, leading to failure in stimulating the private sector to supply affordable housing.
- The planning system fails to counteract the tendencies of private developers to develop housing at inappropriate locations and densities and that is not integrated and affordable.

1.5 PRELIMINARY LITERATURE REVIEW

In South African literature, research on housing has been mainly on low-cost housing selectively focusing on single aspects of the area. For example, the financing of low-income housing is described by Pillay and Naude (2006), the challenges in low-income housing by Goebel (2007) or the failure to implement post-apartheid housing policies by Bond and Tait (1997), and Pithouse (2009). There has been scanty literature on the affordable housing

market. Focus has been on the challenges in the affordable housing market as identified by the FFC (2012; 2013) and the mapping and identification of what constitutes the gap market by Rust (2010) and the Centre for Affordable Housing Finance in Africa (2015). A similar situation exists with regard to planning literature. Focus has been on the spatial planning legislation in post-apartheid South Africa (see Berrisford, 2011; Turok, 2001), urban land markets and land governance in South Africa (see Kitchin & Ovens, 2013; Kihato & Royston, 2013; Charlton, 2008). Although these aspects are important in the planning and housing arena, it does not deter the fact that there is a need for a holistic and context-specific study that examines these relationships at each level.

The South African literature addresses the impact of planning on access to land by the poor, affordability of land and restructuring the apartheid city. There is little knowledge on why the outcomes in terms of density, location and integration in the affordable market are replicated in apartheid spatial planning fashion. Without this knowledge, it is difficult to address the challenges faced in the housing market. This study attempts to bridge that gap by investigating the behaviour of role players towards the planning system in affordable housing development, i.e. how the planning system affects the decision-making environment of role players. This attempt is backed by a theoretical framework that acknowledges institutions as rules that give structure within which role players operate. Healey and Barrett (1990) and Ball (1998) amongst others employed institutional analysis to analyse the patterns in the property market; however, their challenge consisted of how to define institutions and how to apply them. Even though these studies have a sound theoretical backing, many in the South African context are not supported by a theoretical framework. Moreover, in a study that lacks a systematic theoretical basis and empirical analysis, one can only suggest what the real challenges might be, speculate whether these could be mitigated and hypothesize what modifications can be made to minimize the effects on the relevant parties. Consequently, this challenge will be addressed in the following chapter and a conceptual framework will be developed subsequently.

International literature examining the interface between planning and housing has examined the following themes: constraining supply of land, affordability, and government land use interventions. With respect to supply, much attention has been paid to the extent to which planning policies make land and property more expensive through constraining supply. Cheshire and Sheppard, 1989 and 1996; Adams and Watkins, 2002; Evans, 1983; and Meen, 2005 covered the UK, while Maclennan and others (1998) investigated several European countries, and Glaeser and Gyourko (2003) the United States.

On an empirical level, the relationship between planning, property markets and housing has been typically viewed from a welfare economics point of view, focusing on market failure and state intervention; and a neoclassical approach which is associated with econometric analysis and modelling where there is concern for outcomes but no concern for how these outcomes are produced. Very little attention has been given to the impact of planning on the decisions made by role players in the property market and the heterogeneous nature of planning. Further, the planning system in most studies has been viewed from a homogeneous notion, singling out its regulatory characteristics.

The challenges of viewing planning from a homogeneous notion, singling out its regulatory effect are in disregarding all the planning tools that can impact on policy implementation and influence the behaviour of role players. In this view, policies are assumed to smoothly translate into outcomes. This leaves a void on how other aspects of planning impact on the outcomes in the housing market. A satisfactory link between the role of planning in market shaping, regulating, stimulating and the outcomes in the housing market has not been established. Hence questions on the current location, densities, affordability and integration of affordable housing cannot be adequately addressed without a heterogeneous view of the planning system.

The literature examined in this study focussed on the impact of the planning system on the property market with particular attention to the housing market. Overall, the literature survey suggests that planning activities have an effect on the outputs in the housing market such as densities, land prices, house prices and land supply. However, there is a gap in the literature that investigates other aspects of the structural environment other than the planning system such as the resources of housing development (land, labour and capital) or ideological perspectives of role players. Healey's work (1991; 1992) contributed significantly to an alternative view of the development process by suggesting an institutional analysis of the resources, rules and ideas of role players in relation to the strategies and interests which they employ. However, according to Guy and Henneberry (2000), what is perhaps surprising and disappointing is that there has been so little substantive research on property development which acknowledges, relates or extends Healey's institutional model.

1.6 RESEARCH METHOD

This study uses a comparative case study framework as the methodological stance. Five case studies of affordable housing developments were selected in the City of Cape Town. The case

studies were selected from the entire spectrum of the affordable housing market. These constituted developments on private land, state-owned land or a combination of both; developers representing a range of ideologies and motivations such as non-profit oriented, profit-oriented or state entities; and developments with different tenure types such as rental or ownership.

Qualitative data and descriptive statistics were collected to answer particular questions within a conceptual framework guided by Healey's structure agency theory (1992). The empirical data were collected through semi-structured interviews and questionnaires from four sets of respondents: developers and planning consultants in the private sector, key informants (policy makers and policy implementers) in the public sector, housing activists, housing policy specialists and beneficiaries of the affordable housing developments. The public sector respondents were from the City of Cape Town and the Western Cape Provincial Department of Human Settlements. Qualitative data were obtained from semi-structured interviews with developers and planning consultants and key informants in the public sector. Descriptive statistics were obtained through surveys of beneficiaries in five affordable housing developments. Primary data in the form of planning and housing policies were analysed using content analysis. Qualitative data were analysed, and the quantitative data were analysed using SPSS. The descriptive statistics and qualitative data were used for complementarity. A detailed methodology discussion follows in Chapter 4.

1.7 CONCEPTUAL / ANALYTICAL FRAMEWORK

This study uses the principles of Healey's structure-agency theory allied with insights from Ostrom's institutional analysis for development framework to provide a theoretical and conceptual framework for the study of outcomes in the affordable housing market. Structure-agency theory provides a framework for analysing the interactions of role players that led to the outcomes in terms of location, density, integration and affordability of affordable housing developments. The key concepts synonymous with structure-agency theory are structure and agency. Structure is constituted by rules, resources and ideas, while strategies, interests and roles constitute agency.

Structure and agency theory posit that structure is defined in terms of a framework within which agents operate (Healey & Barrett, 1990). The three elements that form the core of structure are the material resources agents have access to, the rules which they consider governing their behaviour, and the ideas which they draw upon in developing their strategies. In the affordable housing market, rules relate to the planning system, regulatory and policy

framework. Material resources refer to the inputs for housing development such as land, labour and capital, and ideologies are motivations, philosophical orientations and political views that influence the decisions made by role players.

Agency is defined in terms of three variables, namely roles, strategies and interests. Agency is described by the way individual agents develop and pursue their strategies (Healey & Barrett, 1990). In other words, role players must exercise agency to facilitate the execution of their roles. In the affordable housing market, roles are defined in terms of the elements of the development process such as planning or construction. The classification of roles indicates the interests of role players and the strategies used to execute these roles in terms of developing affordable housing at certain densities, location and integration levels. The rules govern the way material resources are used and ideas inform the interests and strategies of role players as they define projects, consider relationships, and develop and interpret rules (Healey, 1992). This means that structure can either enable or constrain the agency of role players.

The relevance of structure-agency theory is on understanding the causal mechanisms that led to the outcomes in the affordable housing market. Essentially, the structural variables (rules, resources and ideas) impact on the decisions made by role players resulting in certain outcomes.

A detailed review of structure-agency theory and its application to the affordable housing market is given in Chapter 2.

1.8 ORIGINALITY AND CONTRIBUTION TO KNOWLEDGE

The main contribution made by this study is to provide understanding of the relationship between the structural environment, the agency of role players and the outcomes in the affordable housing market. This is achieved in two ways. Firstly, the study makes a theoretical contribution by extending Healey's structure-agency theory to a new area that it has not been applied to previously. Despite structure-agency theory having been available for a long time, as indicated by Guy and Henneberry (2000), there has been little substantive research on property development which acknowledges, relates to or extends Healey's structure-agency theory. In the process of extending Healey's structure-agency theory to the affordable housing market, two weaknesses were identified. Firstly, structure-agency theory lacks a proper ontological grounding. Secondly, there is a lack of clear understanding and articulation of institutions as part of structure. A theoretical contribution is made by addressing the weaknesses identified in structure-agency theory.

A conceptual framework developed by extending the principles of structure-agency theory to the insights of the Institutional Analysis for Development Framework aids the understanding of how the interaction of role players within a structural environment led to the outcomes in terms of density, location, integration and affordability in the affordable housing market.

Secondly, the study provides empirical evidence from Cape Town on the interaction of role players in a structural environment and how this results in the outcomes in terms of density, integration, affordability and location of affordable housing developments. Fundamentally, the study enhances the understanding of how affordable housing is developed at certain locations, densities and on certain levels of integration. It answers questions on the underlying causal mechanisms that led to the duplication of the same patterns in terms of density, location, integration and affordability of affordable housing. Answers to these questions contribute towards the identification of key policy levers through which affordable housing development can be enhanced, thus contributing towards policy design and implementation in South Africa and other developing countries. This research is original in its approach because it develops a unique conceptual/ analytical framework that has not been employed (to the best of our knowledge) to analyse the phenomena under study.

1.9 SIGNIFICANCE OF RESEARCH

The location, density, affordability and integration of affordable housing have been a challenge facing the post-apartheid government. These challenges occur in a context where the South African government is making concerted efforts to provide integrated affordable housing at appropriate locations and densities. While these challenges and recommendations are well documented, a study of this nature adds to the body of knowledge by suggesting possible recommendations and areas of policy interventions.

1.10 DEFINITIONS AND TERMINOLOGY

For the purposes of this study, *affordable housing* is categorised in terms of income levels and type of subsidy offered by the government. It is represented by those households falling within the R3, 500 and R15, 000 monthly income groups.

For the purposes of this study, the *planning system* is defined as the mechanisms and institutional arrangements used by the government to intentionally intervene in the property market to achieve desirable objectives

The *property market* is defined as the institutional arrangements reflecting the networks of rules and relationships representing the mechanisms through which property is used, traded and developed.

1.11 STRUCTURE OF THESIS

This study comprises of seven chapters. Chapter two presents the theoretical and conceptual framework for housing developments and develops a conceptual framework for the study.

Chapter three presents a detailed literature review on the relationship between the planning system, property markets and affordable housing developments and how these are located in the wider literature. It further articulates the gaps in the literature.

Chapter four presents the methodological approach adopted for this study. Finally, it gives an overview of the selected case study areas.

Chapter five gives a detailed overview of the housing and planning policy and legislative framework in South Africa. The key themes in this chapter revolve around compact city development, densification, integration and the location of affordable housing as reflected in key housing and planning policies and legislation. This chapter further discusses the contextual framework for housing development in the City of Cape Town.

Chapter six consists of an analysis and discussion of research findings.

Chapter seven presents conclusions on the research findings, makes salient recommendations explains the contribution to knowledge and outlines pertinent areas for further research.

2 CHAPTER TWO: THEORETICAL AND CONCEPTUAL FRAMEWORK

2.1 INTRODUCTION

This chapter presents a theoretical and conceptual framework for the study. The purpose of this chapter is to explore the dominant theories in property development and select the most appropriate for the study. The ultimate goal is to develop a conceptual framework from the principles of Healey's structure-agency theory allied with insights from Ostrom's institutional analysis for development framework (IAD).

This chapter is organised into six sections. Section 2.2 reviews theories of the development process focusing on their applicability to the affordable housing market. Section 2.3 discusses the institutional analysis for development framework; section 2.4 provides a synthesis of key concepts in structure-agency theory and IAD. Section 2.5 presents the conceptual framework for the study and concluding remarks are presented in section 2.6.

2.2 MODELS OF THE DEVELOPMENT PROCESS

The focus of this section is to explore alternative models of the development process and in the end selecting structure-agency theory as the most appropriate for the study, thereby laying a foundation for developing a new model. Of the authors who attempted to categorise and critique the models of the development process (Healey, 1991; Gore & Nicholson, 1991; Harris & Cundell, 1995 and Ball, 1998), Healey provided the most comprehensive review. Healey categorised models of the development process not only according to the prevalent theoretical perspectives such as Marxist and neo-classical models but grouped them into categories, namely: equilibrium models, event-sequence models, agency models, structure models and structure-agency models.

2.2.1 Equilibrium models

Equilibrium models are based on the positivist ontological platform. These are best explained from the neo-classical perspective which focusses on demand and supply of commodities (Healey, 1991). The economic models inclined to neo-classical economics include tenure choice models, search models, mobility models and house trait models. Within the neo-classical economic models, there is the neo-classical consumer theory of demand. The neo-

classical consumer theory of demand is the only fully developed model for analysing housing demand in the housing market (Megbolugde *et al.*, 1991). Developed as part of the equilibrium models, the neo-classical consumer theory of demand is based on similar assumptions to other neo-classical models but has incorporated modifications to operationalise the imperfect and non-competitive features of the housing market. According to Megbolugbe *et al.* (1991), neo-classical economics models are based on several assumptions regarding consumer behaviour, the nature of the housing commodity and the housing market.

As noted above, neo-classical economics is based on assumptions about consumer behaviour. Beardshaw (1992) suggests that role players in their individual or organisational capacity are predominantly maximisers, seeking to increase their own wealth and pleasure above any other considerations. This theory postulates that rational consumers attempt to maximize the utility with respect to different goods and services including housing that they can purchase within constraints imposed by market and income (Megbolugde *et al.*, 1991).

These approaches embody the notion that market adjusts to remove disequilibrium between supply and demand and the adjustment occurs rapidly. Thus, when there is demand, it is expected that sufficient stock is brought into the market at appropriate locations, densities, at the right time and affordable to the end-user. The state of equilibrium is assumed where the wishes of both buyers and sellers are met within the market, supply and demand are therefore in balance and an equilibrium price is obtained (Beardshaw, 1992). However, there is realisation that such adjustments do not instantly happen in the affordable housing market where there is need for interventions. The assumption above further implies the operation of a perfect market where producers and consumers are not affected by any constraints. Consequently, housing markets are assumed to operate in a tax-free world where capital and asset markets are perfect and in equilibrium (Megbolugde *et al.*, 1991). According to Healey (1991), the smooth operation of the market assumed by this model may be impeded by a number of factors such as the presence of uncertainties created by legislation such as planning would cause supply side blockages.

In these models, the development process is viewed as relatively unproblematic since transactions and investments are activated by market signals (Healey, 1991). Role players who have a greater understanding of signals and least impeded by market constraints will have successful projects and are least hindered by the supply constraints. The prices and rents of land and property are used to activate investments and transactions. This is based on the assumption that property is homogeneous and the existence of a perfect market with perfect competition as agents with perfect knowledge. This assumption becomes problematic

in the affordable housing market where the cost of investment does not match the return on investment and the end user are incapable of competing in the open market.

The equilibrium models are associated with econometric analysis where there is a concern for outcomes and does not consider how outcomes are produced (White & Allmendinger, 2003). This implies that the complexity of the development process, its role players and variables are not fully investigated. The focus is mainly on economic factors that affect supply and demand. Adams *et al.* (2005) assert that econometric models have been criticised for using aggregate data and thus missing or underestimating the importance of distinct local factors affecting property markets. Furthermore, these models do not fully consider the volatility of the property market, which is normally affected by information asymmetry and supply side constraints.

Equilibrium models disregard the non-economic factors that affect the development process, thus failing to provide a sound methodological framework to analyse the causal mechanisms behind the outcomes in the property market. As suggested by Healey (1991), these models are not suitable for complex development processes which involve the realisation of sets of events, over considerable period of time and the interaction of different role players involved at different stages. By failing to explain the mechanisms by which role players interact, equilibrium models fail to adequately acknowledge the functioning of institutions in the property market.

According to Adams (2008), the studies that formed the mainstream literature typically employ econometric modelling with underlying neo-classical economic assumptions of market efficiency, unitary price and rational behaviour to predict impacts of regulations on the price and quantity of housing. The main criticism of this approach has been its neglect of institutional behaviour and market operations (Keogh & D'Arcy, 1999). According to Hamza (2013) the mainstream literature has black-boxed institutions and their social interactions in the regulatory environment. Thus, whilst providing a valuable approximation of the effects of regulations on housing provision, the basic mainstream approach is seen as producing partial results.

Furthermore, most equilibrium models focus on the demand side of the development process. The assumption that if there is demand, supply should be forthcoming presumes a smooth-functioning market. However, development is based on supply of property to the market by developers. By focusing on the demand side, equilibrium models fail to account adequately for complexity and uncertainty associated with the supply side of the development process. That implies a lack of relevance on important issues that ensures an adequate supply of

affordable housing. Moreover, a lack of balance between supply side and demand side determinants leads to uninformed policies as suggested by Meen and Meen (2003) who highlighted that in the UK, equilibrium models have contributed very little to policy.

2.2.2 Event-sequence models

Event-sequence models focus on the management of stages of the development process. These models are inclined to the empiricist ontological perspective; hence attain a descriptive form by explaining the development process in sequence. The event-sequence models attempt to unpack the complex development process into its constituent events to recognise the different social relations which might surround each event, and to appreciate the time scale of development projects (Healey, 1991). According to Squires and Heurkens (2016), event-sequence models assist in understanding the dynamic conception of forces during the development process. These models focus on potential blockages to development activity but lack specification on the role players, interests and strategies. However, as Squires and Heurkens (2016) assert, these models move beyond the general conception that property development mainly consists of implementing or constructing development projects. These models are descriptive and not analytical hence are not very helpful in analysing the dynamics of the development process. As Healey (1991) suggests, they provide little help in explaining why the development process takes the form it does in a particular form.

According to Healey (1992), the sequences of events in the development process are subject to considerable sectoral, spatial and temporal variation. Knight (2011) suggests that event-sequence models do not account for the function of agency in the development process. While event-sequence models provide a standard sequence of events for a development project, its applicability becomes questionable in the affordable housing market where development takes different forms depending on the type of interventions.

2.2.3 Agency models

As revealed above, event-sequence models neglect the element of agents/ role players in the development process and equilibrium models though acknowledging agents treat them as homogenous, with rational behaviour in the market. Ismail (1996) contends that in reality role players are heterogeneous and, monopoly powers may dominate, and knowledge is imperfect. Addressing the shortfalls in both neo-classical and event-sequence models led to the birth of agency models. Agency models originated from behavioural or institutional economics. These models focus on role players in the development process, the roles they play and the interests

which guide their strategies. They acknowledge that land and property, as a “social construct is understood as part of the system of social relations through which buildings and the built environment are produced and used in a given society” (De Magalhães, 2001). This implies that markets are not detached and autonomous structures, but fragile and contested terrains (Christie *et al.*, 2008). According to Adams and Tiesdell (2010), market transactions, like social interactions are thus conditioned by humanly devised rules, norms and regulations, with markets thus reflecting dominant powers and interests.

Agency models bridge the gap left by event-sequence models by including the decisions and decision makers, events and actions, thus incorporating the institutional view into the development process. Models by Craven (1969), Kaiser and Weiss (1970) and Drewett (1973) have isolated the developer as the main actor in the development process because developers are considered central to the process (Drewett, 1973) and are coordinators and catalysts for development (Healey, 1991). While the agency models have extended the analysis to the interactions of key role players, which has been previously neglected by the other models, it is important to note that the narrow focus on the developer as the key actor may neglect the other factors that impact on the development process such as political ideologies, regulatory frameworks and financial perspectives.

The agency models were modified by Bryant *et al.* (1982) based on the criticism that the identification of role players was limited. They recognised a wider range of agents and roles, as well as the relationship of the activities of agents to a broader context of pressures for change and to outcomes (Healey, 1991). Bryant *et al.* (1982) categorised agents as primary and secondary decision agents. According to Ismail (1996), the primary agents are those with direct interests in the land, either in terms of ownership or of use or both and secondary agents are those with indirect interests in the land or development usually related to public aspects such as planners, politicians and financiers. While this type of agency model is advantageous because it relates decisions and events of the development process to role players responsible or roles involved at each stage, it falls short by displaying only one of the many chains and combination of agents that might characterise a development process (Ismail, 1996). Furthermore, this agency model neglects the interactions between agents and the influence of external factors on the decisions and events at different stages of the development process.

Goodchild and Munton (1985) devised an alternative model that linked role players to events and focussed on three main role players (developer, landowner and planner) and two events (identification and initiation). In this model, each development site has to undergo four nodes

which are: land allocation by the planner, land purchase by the developer, the granting of planning permission and the commencement of construction work. Any negative feedback on any node may lead to abandonment, formulation of a new node or a revision of the overall project. This model allows for flexibility in the development process which is not offered by the previous models. However, eliminating all but two universal events oversimplifies the development process, leaving out the other stages where various strategies could have been exercised to attain different outcomes.

Barrett *et al.* (1978) assumed that the diversity of actor-event relations is substantial. They proposed an analysis through a loosely structured event-sequence, framed as a dynamic pipeline with a feedback loop. This distinguishes the roles (owners, users, consumers) from institutions likely to be involved (construction industry, financial institutions, and public agencies). It further sets the development in a much wider context of demographic, economic and political change. The agency model was further developed by McNamara (1988). McNamara (1988) focussed on the interests of agents and argued that the plethora of agencies involved in the development process can be systemised according to the roles played in the process and the interests which direct their roles. He suggested that the interests of role players in the development process might be linked to their social relations within the mode of production and the socio-political system. Emirbrayer and Mishe (1998) argue that agency is both constrained and enabled along three institutional contexts namely cultural context, social-structural context and social-psychological context. Therefore, actors are theorised to express agency conditioned by routines, imagination and practical evaluation (Kallinikos *et al.*, 2017).

The agency models described above give emphasis on the role players, decisions, actions, interactions, and strategies as well as the relationships between events and agents. However, the focus is too much on the role players and agents' interactions, hence too descriptive. They lack a critical appraisal and acknowledgement of the regulatory framework, motivations and political forces that might influence the actions of agents. According to Healey (1991), they give little assistance in generalising about the varied reality revealed. They also fail to consider other factors that might drive the development process.

2.2.4 Structure models

Structure models are derived primarily from Marxist sources as developed in the urban political literature. These models attempt to explain the land development process by focusing on the way markets are structured through power relations of capital, labour and landowner (Healey,

1991). The aim of these models is to explore various possibilities that exist for capital investment and accumulation, to analyse how these different circuits might fit together and relate to production of property. These models offer ways of linking events and agency behaviour to the dynamic modes of production and regulation of different economies even though their analytic concern has been with capitalist societies. Such models can be traced to the work by Boddy (1981), Harvey (1985), Ambrose (1986) and Nabarro (1991).

Boddy (1981) addresses the property market directly from Marxist economics and identifies three circuits of capital within the capitalist economy, namely, industrial, commercial and interest bearing. Money is exchanged for commodity inputs, in the form of labour power and means of production in the industrial capital, while the commercial capital circuit involves the use of money capital to purchase commodities for resale to consumers together with an element of profit. The interest-bearing capital circuit involves the advance of money that will subsequently be repaid with interest.

Ambrose (1986) offered a model that seeks to map out the development process in terms of agencies and relationships linking the state, the construction industry and the finance sector. The purpose of such mapping was to identify the elements within each of the three spheres which structure development activity which may contribute to development, and some of the agencies involved. However, the model does not indicate what drives the relations between the state, the construction industry and the finance sector.

Harvey (1978) contributed significantly towards the understanding of the role of property production in the relations of a capitalist economy. Similar to Boddy's work, he sets the production of the built environment in the context of three circuits namely the primary/production circuits, the secondary circuit through which capital flows into fixed assets and the formation of assets; and the third circuit that flows into science and technology and social expenditure. The structure models provide ways to link events and agency behaviour to the dynamics of the modes of production and regulation of different economies. They focus attention on the manner in which property development is structured. Hence, they fail to make a direct allowance for human agency. As Healey (1991) suggests, they barely penetrate into detail or events of the development process and the nexus of agency relationships as well as the nexus of agency relationships which might surround each. While agency models focus on behaviour, the structural models rely on the capital circuits. According to Gore and Nicholson (1985), the problem with structure models is that there is no theory in the middle ground which could help to link the broad concern of structure approaches with the studies of the way in which particular sectors of the development industry operate.

Structure models of the Marxist perspective define the development process as a function of its position in the production and consumption of the built environment within the process of capital accumulation (De Magalhães, 1996). Models that sought to draw directly from the Marxist perspective have a negative view about private capital or private ownership. Structure models are ill-suited to understanding the operation of developers because they are not sympathetic towards the private sector owning the means of production. Hence the equation of providing affordable housing at appropriate locations and densities cannot be entirely solved.

2.2.5 Healey's structure-agency theory

Structure and agency approaches can be traced back to work by Giddens (1984), Ball (1983; 1985; 1986a & 1986b), Healey (1990; 1991; 1992), Krabben and Lambooy (1993) and Krabben (1996). These models do not view the development process from the physical perspective of creating and transferring building to occupiers (development pipeline) but appreciates the detail of social events in a development process. The models take into cognisance the institutional and other structures within which development takes place as well as the social agencies involved in that structure. They further address the way interests and strategies of role players are actively constituted as circumstances change and how this relates to broader structural shifts.

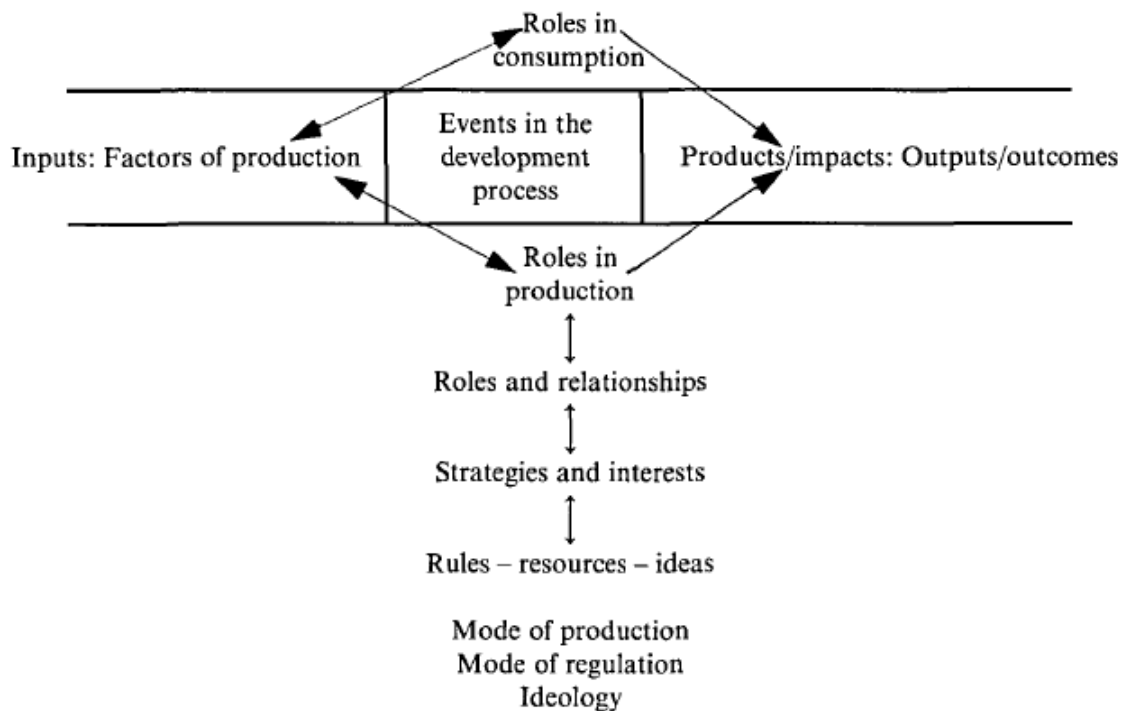
Prior to developing her structure-agency approach, Healey (1991) evaluated the models of the development process. Of importance to this study is her approval of the structure and agency models despite the noted weaknesses. She acknowledges that agency models open up the complexity of development activity by highlighting the way different agents cluster around different sets of activities in the development process. Furthermore, they identify the need for analytical separation between agents and the roles they play as well challenging simple divisions into public and private sector activity. Most importantly, they build time into models of the development process through the link to events. However, these agency models merely suggest ways of describing the intricacies of the relations of the development process and they lack a dynamic conception of the forces which might drive the development process. Healey (1991) acknowledges that structural models offer ways of linking events and agency behaviour to the dynamics of the modes of production and regulation of different economies. Furthermore, structural models focus their attention on the way the relations of property development are structured by the broader dimensions of capital, labour, capital-landowner and state market relations. Healey attempts to address the weakness of structure models by incorporating the nexus of agency relationships in the development process. This background

fundamentally influenced the approach Healey offered in analysing the property development process.

Healey and Barrett (1990); Healey (1991) and Healey (1992) called for an approach that generalises the nexus of roles and relationships in the property development process. Healey (1991) asserts that a theoretical model of the property development process is needed which would enable the detail of agency relationships in the negotiation of development projects to be captured while at the same time allowing generalisation about how these relationships might vary under different conditions. She further argues that an institutional approach is necessary because of the complexity of development processes and the need to avoid missing out on key links in understanding how and why a particular project took place.

Healey and Barrett (1990) are of the view that it is important to understand the relationship between agency and structure. Agency is depicted by the strategies, interests and actions of the various agents involved in the development process; and structure as the organisation of both economic and political activity and of values about land, property, buildings and environments which frames or structures their decision making. Furthermore, it is vital to establish the link between structure and agency empirically through relating the construction of roles, and the strategies and interests of agencies to the material resources, institutional rules and organising ideas which agents acknowledge implicitly and explicitly in what they do.

Figure 2.1: Healey's institutional model of the development process



Source: Healey, 1992

In Healey's structure-agency theory illustrated in Figure 2.1 above, the relationship between agency and structure plays an important role in the property development process. Structure is defined in terms of the framework within which individual agents make their choices, may be seen to inhere in the various resources to which agents may have access; the rules which they consider governing their behaviour, and the ideas which they draw upon in developing their strategies (Healey & Barrett, 1990). Healey (1992) further elaborates that structures are said to be the material resources, institutional rules, and organising ideas which agencies acknowledge. Drawing on the work of Antony Giddens, Healey and Barrett (1990) concur that structure is established by the way agents operate in deploying, acknowledging, challenging and potentially transforming resources, rules and ideas as they frame and pursue their own strategies.

From the above definitions, three key elements make up the core of structure in the development process. These are material resources, rules and ideas. Material resources are said to be the primary ingredients of the production process i.e. land, land rights, labour, finance, information and expertise. The availability and cost of the factors of production influences the decisions made in the development of affordable housing. Rules govern the way material resources are used and are formulated by institutions or political processes.

These rules can be laws, administrative procedures or customs or practices and they regulate the way in which property development occurs and how agents adapt to these rules. Typical are the rules related to the planning system such as planning regulations and requirements governing the location of developments, parking, densities and height of developments. Ideologies influence the dynamic of resource use and rule formulation because they inform the interests and strategies of role players as they define projects, consider relationships, develop and interpret rules. These ideas carry assumptions about various developmental aspects which have an influence on how agents perceive their interests and devise strategies. The importance of ideologies is to understand the motivations behind the actions of agents. For example, a non-profit-oriented developer might be driven by specific ideologies to operate in the affordable housing market; while philosophical views about whether the state or market should be involved in the affordable housing market might influence the allocation of resources by the State towards affordable housing development. As highlighted by Adams *et al.* (2012), Healey's insights have shed light into the ways in which developer behaviour both frames and is framed by the broader structural context. Overall, in terms of structure-agency theory, an agent operates within a structure, and that structure either enables or constrains their activities.

Agency is based on three critical variables namely roles, strategies and interests. Healey and Barrett (1990) define agency in terms of the way individual agents develop and pursue strategies. This can be interpreted as the way role players in the development process exercise agency. According to Scott (2008), agency can be understood as a role player's ability to have some effect on the social world by altering the rules, relational ties, or by the distribution of resources. This can be achieved in the roles that they carry, using certain strategies to protect their interests. Roles are defined in relation to the elements of the development process. For example, a planner's role might be to exercise development regulations. According to Healey (1992), classifying roles gives strong indications of the kinds of interest particular agents involved in the production may have in the development process. Strategies represent how role players perform within their roles to achieve certain outcomes. It follows that the acts of agency are shaped by the structure (institutional rules of the game, material resources and ideas) thereby determining the outcomes in terms of location, density, integration and affordability. In terms of structure-agency relation, agents' responses to the structural factors alter developmental outcomes. For example, a change in land acquisition strategies can produce different outcomes in terms of location, density, affordability and integration of affordable housing.

Healey's structure-agency theory aims to theorise the behaviour and relationships that influence the strategies and interests of different role players in capitalising on the resources, ideas and rules available to them. A four-stage framework is proposed that makes it possible to understand structuring forces within a development process, at the same time appreciating the detail of the social relations surrounding events in the development process (Healey & Barrett, 1990). Firstly, a mapping exercise has to be conducted describing the development process in operation, focusing on events in the production process of a development project, identifying the agencies involved and the outcomes produced. Secondly, an analysis of the agencies involved in the process should be undertaken identifying roles in the production and consumption of the development and the power relations which evolve between them. Thirdly, the strategies and interests of role players are assessed and linked to the resources, rules and ideas that governed the development process. The fourth stage moves beyond empirical analysis by connecting the social relations expressed in the prevailing mode of production, mode of regulation and ideology in society within the development being undertaken.

As indicated in Figure 2.1 above, Healey's institutional model of the development process enables the recognition of a variety of agencies, agency relations, activities and events in the development process. Healey (1992) further argues that it is important for the approach to be universally applicable and relevant to many different societies at different points in time. She further states that this approach should take into account spatial and temporal variations. It should also be capable of assessing whether particular driving dynamics produce distinctive patterns of agency relations (e.g. under different economic and political regimes) and whether these have particular effects on what is built where, when, how and for whom.

From the discussion above, it can be discerned that the property development process involves a number of role players including private consultants, land owners, government departments, developers and financial institutions, amongst others. These role players deal with various factors such as economic, political and social considerations, government policies and regulations in their operations and interactions. The way agents interact with structure influences the property development process in terms of what can be developed where, when, how and for whom. As such, institutional approaches enable the investigation of the relationship between structure, agency and outcomes. It follows that a clear articulation of roles, perceptions and behaviour of agents; a clear identification of stages that shape the development process; and the interactions between agents and structure gives a more accurate account of the property development process.

Healey provides a useful method of assessing the development process but there has been a number of criticisms leveraged against structure-agency theory. One of the weaknesses in Healey's structure-agency approach was noted by Van der Krabben and Lambooy (1993). Their argument is that Healey's model of the property development process should take account of spatial variation as indicated in her approach. They further argue that property development is not explicitly linked to location in her model leading to unsatisfactory explanation of locational differences in property development. While Van der Krabben and Lambooy's criticisms are noted, it can be argued that the element of location cannot be detached from the development process. Development occurs on land and land is tied to a specific location, thereby accounting for spatial variations and locational differences. This implies that Healey's model is linked to location. Furthermore, Van der Krabben and Lambooy's study was only based on Healey's theoretical concept, thus lacking empirical application. Theirs was just a development of a conceptual framework of the Dutch property market; hence the criticisms could have been thwarted should it have been empirically applied.

Van der Krabben and Lambooy (1993) further argue that in Healey's concept of institutional rules-which govern the way material resources are used (especially rules governing ownership and control over resources) are seen as a static element of the model of the development process. In this regard, Healey neglected the element of time. In order to comprehend the meaning of institutional context in the property development process and understand why it changes over time, a more dynamic conception of the institutional context is needed; changes in the composition of the groups of role players operating on the market and the power relations between these role players and changes in the organisation of firms and markets, innovation and the production of new technologies are central to this concept (Van der Krabben and Lambooy, 1993). According to Adams *et al.* (2005), institutions should not be considered as static or immutable since they are shaped and fashioned by continuous interaction between strategies, interests and actions of market role players and inherited economic, social and institutional structure of the market. While these criticisms are noted, it is argued that development is linked to time and Healey's model acknowledged the dynamics presented by the agents.

Ball (1998) points to the failure in Healey's model to precisely define what constitutes a structure, an agency or an institution even though the main focus of the approach is structure and agency. He states that, "*structure seems to be aspects of the broad context in which agents operate. Agents seem to be key people working in institutions, in which case institutions become wrongly personified as people, although it may be the case that institutions refer to broader social rules and regulations*". This ambiguity in the definition of terms poses

difficulties in the application of the model. Ball (1998) further challenges the structure-agency dichotomy of this approach, arguing that it does not allow for the influence they both exert on each other, and it downplays the effects of economic structuring. While some of Ball's criticisms are profound, some are a misrepresentation of Healey's work because the model is clear on what structure and agency are and the effect, they both impose on each other. However, the criticisms relating to institutions is leveraged on how the model deals with institutions, as discussed in the forthcoming sections.

The discussion of institutions in Healey's model was further highlighted by Hooper (1992) as cited in Guy and Henneberry (2000). He states that the problem "*is the danger that institutions may be conceived simply as the mediating link between structure and agency, requiring theorising only in terms of social relations and then reconnected with the material world through a link with production*". Hooper's concern is on the role of institutions as a link between structure and agency. This vague conceptualisation of institutions as a link between structure and agency fails to recognise other role players that might impact on the relationship between structure and agency in the development process. That challenge can be solved by placing institutions as part of structure.

Healey's structure-agency theory is problematic on her approach to institutions. Healey presented an institutional model of the development process; however, it is clear that there is no proper theory of institutions embedded in structure and agency theory. Healey falls short on presenting a proper understanding of institutional analysis or new institutional economics. Since Healey does not have a well-defined place for institutions in structure and agency theory, she fails to provide a methodological toolkit or framework for the analysis of institutions. It is argued that for Healey's structure-agency model to present a more precise account of the development process, it should be extended to the principles synonymous with the Institutional Analysis and Development framework (IAD). IAD is based on a well-developed understanding of institutions and provides a framework for the analysis of institutions of which the planning system is an institution.

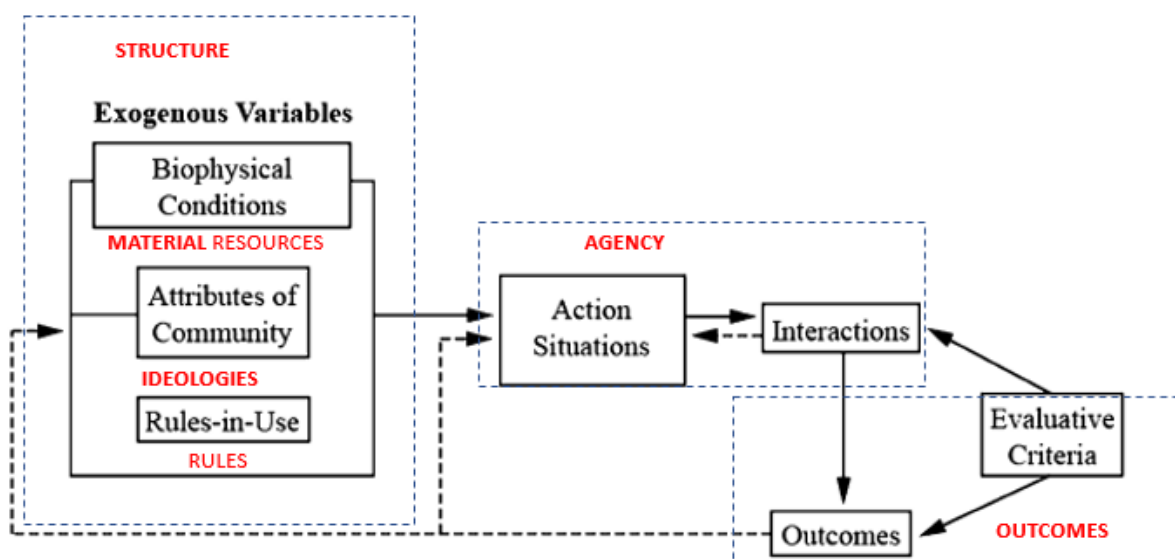
2.3 INSTITUTIONAL ANALYSIS AND DEVELOPMENT FRAMEWORK

Developed by Ostrom and other scientists, the Institutional Analysis and Development (IAD) framework has been commonly used to explore the sustainable and resilient use of common pool resources in social ecological systems (Ostrom *et al.*, 1994; Imperial, 1999), policy analysis and design (Gerrard & Polski, 1998) and informal real estates and poverty (Mooya, 2009). The IAD Framework has become a tool for analysing and testing hypotheses about

behaviour in diverse situations and at multiple levels of analysis (Ostrom, 2010). Further, Ostrom (2010) asserts that one of the aims of the IAD framework has been developed as a common set of linguistic elements that can be used to analyse a wide diversity of problems.

The IAD framework posits three major exogenous variables (biophysical conditions, attributes of community and rules) affecting the structure of the action situation, the patterns of interactions within the action situation and the subsequent outcomes (see figure 2.2. below). Healey’s structure-agency theory and Ostrom’s IAD, though developed for different contexts, present fundamentally analogous characteristics. The “exogenous variables” in IAD are similar to “structural variables” in structure-agency theory, “biophysical conditions” in IAD are similar to “material resources” in structure-agency theory and “attributes of community” are related to “ideologies” associated with role players and rules in use are related to the rules in structure and agency theory. The key components of the IAD framework are discussed below.

Figure 2.2: The IAD framework



Source: Adapted from Ostrom, 2010

According to Ostrom (2011), the term “action situations” is used to refer to an analytic concept that enables an analyst to isolate the immediate structure affecting a process of interest to the analyst for the purpose of explaining regularities in human actions and results, and potentially to reform them. In the action situations, that is where role players specify their roles, interact, strategize, negotiate and protect their interests. The action situations and interactions are similar to agency in structure-agency theory. Ostrom (2011) highlights the variables that help

describe the structure of an action situation and these are equated to agency in Healey's structure agency theory in the table below.

Table 2.1: Similarities in IAD's action situation and agency in Healey's structure-agency theory

IAD's Action Situation	Agency in Structure-Agency Theory
The set of actors	Who are the agents involved in the process?
The specific positions to be filled by participants	What roles do they represent?
The set of allowable actions and their linkage to outcomes	What interests and strategies do they have?
The potential outcomes that are linked to individual sequences of actions	How do the key actors interact to achieve the desired goals?
The level of control each participant has over choice	What rules govern their actions?
The information available to participants about the structure of the action situation	How much available information do they have in relation to the situation?
The costs and benefits (which serve as incentives and deterrents) assigned to actions and outcomes	What motivation or ideologies are there to invest in the area?

The outcomes and evaluation of outcomes in IAD are similar to outcomes in Healey's structure-agency theory. Ostrom (2011) suggests that the key part of the IAD framework is to identify the action situation and the resulting patterns of interactions and outcomes and evaluating these outcomes. In affordable housing development, the action situation can be identified as the space where key role players such as planners and developers meet to espouse their roles and strategies. The available information, the rules that govern them, the costs and benefits influence the decision-making process and lead to the current outcomes in the affordable housing market. This means the planning system and the property market structure the action arena. Ostrom (2010) asserts that the action situation can be viewed as a set of variable dependent upon other role players. This implies that there are other role players that affect the activities in the action situation. As indicated in the figure above, these include:

- The rules used by participants to order their relationships,
- The attributes of states of the world that are acted upon in these arenas, and
- The structure of the more general community within which any particular arena is placed.

Similar to Healey's structure-agency theory, a role player in the IAD framework enters an action situation with her own role (as planner, a developer or policymaker), information, strategy and behaviour, and these are shaped by the physical and material conditions, the attributes of the community in which they live, and the rules-in-use (Polski & Ostrom, 1999). Rules in use designate all relevant aspects of the institutional context within which an action

situation is located (McGinnis, 2011). These are the formal or informal rules that influence behaviour in the action arena. In the affordable housing market, while policy makers, policy implementers and developers operate within the planning system and policy framework, they are each guided by different rules. For example, developers comply with the regulatory framework while policy makers and implementers shape, regulate and stimulate the market using planning tools embedded in the planning system. The operation of the planning system, regulatory framework and policy framework either enables or constrains the development of affordable housing.

Physical and material conditions refer to physical and human resources and capabilities related to providing and producing goods and services (Polski & Ostrom, 1999). These include the capacity and knowledge at local authorities to deal with policy regulations, available information to make certain decisions and capital/ finance to engage in certain projects, land and labour. In the development of affordable housing, materials resources are inputs such as land, labour and capital. The availability and cost of material resources influences the outcomes in terms of location, density, affordability and integration in the affordable housing market.

While the IAD framework was used for ecological context it is fundamentally similar to the Healey's structure-agency theory. The attributes of the community is a term used to encompass all relevant aspects of the social and cultural context within which an action situation is located (McGinnis, 2011). In the affordable housing market, this equates to the ideologies and motivations presented by the private sector developers and the public-sector policy makers and implementers. According to Polski and Ostrom (1999), attributes of the community include the norms of behaviour generally accepted by the community, the degree of common understanding shared about activities in the action situation and the extent of homogeneity in the community's beliefs, values, preferences and outcomes. Of importance to this study are cultural views which are defined by McGinnis (2011) as a set of strategies, norms, rules, organisational templates, and other remembered or imagined practices that are readily available to the members of that community for their use in processes of deliberation and implementation. Ideologies presented by the public-sector representatives can be a general attitude towards affordable housing, political views or philosophical perspectives on how affordable housing can be delivered. This impacts on the support offered and the allocation of resources in the development of affordable housing.

The central focus of institutional analysis is on institutions or rules. Prior to the advent of the IAD framework, Ostrom (2010) understood and elaborated on the challenges of using

institutional analysis. The main challenges are on how to define, identify and measure institutions. She defines institutions as the rules, norms and strategies adopted by individuals operating within and across organisations. She further defined rules, norms and strategies as:

“By rules, is meant shared prescriptions (must, must not, or may) that are mutually understood and predictably enforced in particular situations by agents responsible for monitoring conduct and for imposing sanctions. By norms, is meant shared prescriptions that tend to be enforced by the participants themselves through internally and externally imposed costs and inducements. By strategies, is meant the regularized plans that individuals make within the structure of incentives produced by rules, norms, and expectations of the likely behaviour of others in a situation affected by relevant physical and material conditions.”

Since institutions are perceived as shared concepts that exists in the minds of the participants and are sometimes shared as implicit knowledge rather than in an explicit written form (Ostrom, 2010), it is therefore difficult to identify and measure them. Ostrom (2010) attempts to solve the *impasse* by distinguishing between the rules in use and the rules in form. Rules in use are the rules on a day to day basis but are not necessarily written in formal documents. Being armed with a set of questions concerning how X is done here and why Y is not done here is a very useful way of identifying rules-in-use, shared norms, and operational strategies (ibid).

As highlighted in section 2.3, the limitations in Healey’s structure-agency theory are based on failure to understand institutions as part of structure. While Healey’s structure-agency theory and Ostrom’s Institutional Analysis for Development framework present a fairly similar argument into the dynamics between structure and agency, combining the two gives better insights of institutions in the developments process. Both the structure-agency theory and IAD framework are focussed on investigating the underlying causal mechanisms and contingent relationships that may account for outcomes in affordable housing market. The following sections briefly discuss the link between structure-agency, IAD and critical realism.

2.4 SYNTHESIS OF KEY CONCEPTS IDENTIFIED IN STRUCTURE-AGENCY THEORY AND THE IAD FRAMEWORK

In this study, the methodological departure for investigating the underlying causal mechanisms accounting for the outcomes in terms of density, location, affordability and integration in the affordable housing market are based on structure-agency and the IAD framework. Structure-

agency theory and the IAD framework are complementary to each other and their applicability to the study of the planning system, property markets and affordable housing development is acknowledged here.

From the discussion above, IAD framework and Healey's structure-agency theory present complimentary features. The key elements that are similar in structure-agency theory and IAD framework and key to this research are the analysis of events/ outcomes and the importance of structure.

Analysis of events/ outcomes

The IAD framework and structure-agency theory offer platforms to investigate the resulting patterns of interactions and the outcome of the process. As such, these approaches offer a view of understanding the complex, multifaceted and structured nature of affordable housing. According to Sayer (2000), identifying causal mechanisms and how they work, and discovering how they have been activated and under what conditions creates explanations. The IAD framework presents action situations that enable analysts to isolate the structure affecting a process for the purpose of explaining regularities in human actions and results. Healey (1992) argues that the structure and agency theory is necessary because of the complexity of development processes and the need to avoid missing out on the key links in understanding how and why a particular project took place.

The importance of structure

Housing development is shaped by role players through their response to a given structure, their views, goals and subsequent actions. One of the key issues of this study is with the structures or institutions in housing development that impact on the behaviour of role players. The importance of structures/ institutions has been elaborated elsewhere (Ball, 1994; Healey, 1992; Alexander, 2001; Buitelaar, 2004; Guy & Henneberry, 2001). Institutions are defined by North (1990) as "humanly devised constraints that shape human action". In this study, the planning system and the policy framework are considered as institutions and they form part of structure. Shepsle (2014) highlights that an institution specifies the players whose behaviour is bound by its rules; the action the players must, may, must not, or may not take; the information conditions under which they make choices; their timing, the impact of exogenous events; and the outcomes that are a consequence of these choices and events. The characteristics that make institutions an important part of structure in affordable housing development are firstly, the ability of institutions to provide rules, norms and regulations to agents. Secondly, its ability to influence the interactions of various agents. Finally, institutions provide certainty in the operations of agents and allow for analysis of outcomes that resulted

from the operations of the agents. Consequently, these characteristics influence the decisions made by role players, leading to outcomes in terms of density, location, integration and affordability.

2.5 CONCEPTUAL FRAMEWORK

The analytical and conceptual mandate of this study is to investigate the underlying causal mechanisms that may account for the outcomes in the affordable housing market. It is premised that outcomes in terms of location, density, affordability and integration in the affordable housing market are a result of interactions between role players within a structural environment. It is clear from the theoretical framework that structural variables (rules, resources and ideas) shape the roles, interests and strategies of role players.

From viewing the development process from a structure-agency perspective, the agency of role players is influenced by the structure. It can be argued that role players in the development process are aware of the structural variables and the consequences associated with their actions. In affordable housing development, the roles, strategies and interests of role players are influenced by the availability and cost of resources, the ideologies and the rules that govern the way resources are used. This is because the successful provision of affordable housing is a joint effort between the state and the private sector.

The policy environment informs the planning system and the property market. For example, a deficiency in affordable housing is communicated through policy documents, which in turn informs the planning environment to shape, regulate and stimulate the market in the delivery of affordable housing. The ideological perspectives of developers inform the decision to become involved in the affordable housing market and how the resources will be used. The general perception and philosophical views on affordable housing influence the approach of the state to the allocation of resources for affordable housing. The planning system is a form of government intervention into the property market and can either constrain or enable the development of affordable housing. The availability and cost of land, labour and capital enable or constrain the development of affordable housing.

The planning system is characterised by tools intended to shape, regulate and stimulate markets. Market shaping tools such as spatial development frameworks provide information with the aim of reducing uncertainty, indicating the government's intentions and information on regulatory policies. How market role players interpret the spatial development framework of an area affects the developmental decisions that are made in the process. For example,

planners make developmental decisions based on the information provided in the spatial development framework. Thus, these types of plans provide information, thereby shaping the context for decision making. This also reflects on the amount of resources that is invested in changing the proposed outlook to suit own strategies e.g. amending the spatial development framework.

Market regulation tools affect decisions by restricting the set of choices of market role players. Furthermore, they seek to regulate and control market actions and transactions. For example, the zoning system is operational in South Africa where the land use scheme constrains the exercise of development rights within a certain zone such as building heights or land coverage. Market role players can either conform to the rules or invest in changing the regulations to suit their ideas e.g. the rezoning process or relaxation of building lines. In cases where all acts of development require consent, it is the interaction between role players within certain rules that determines the decisions made by the role players. For example, the approval process of a township establishment in one municipality might lead to developers investing elsewhere.

Market stimulation tools enable a somewhat unfavourable situation to become more enticing. Given the restrictive conditions on regulatory tools, a certain development might not meet the strategies and interests of market role players. If such scenarios are created by regulations, they can be supplemented by market stimulation tools that seek to make some strategies more or less advantageous to market role players, for example, incentives, subsidies, tax breaks, provision of public services and land acquisition deals that can be released to developers. All these can affect the behaviour of market role players regarding developmental decisions.

The main concern of this research is on how the structural environment shapes the property market and the development of affordable housing. The main objective is to understand the causal mechanisms that led to the problematic outcomes regarding the affordability, location, integration and densities of affordable housing. Our analysis suggests that structural elements impact the operation of the affordable housing market and the behaviour of market role players, in that way affecting the outcomes of these markets. In order to gain a better understanding on the interests, strategies and behaviour of market role players as well as the relationships developed between the role players, explicit attention should be paid to the structural context and specifically to the rules that govern the development process, the resources available and the ideas that role players have.

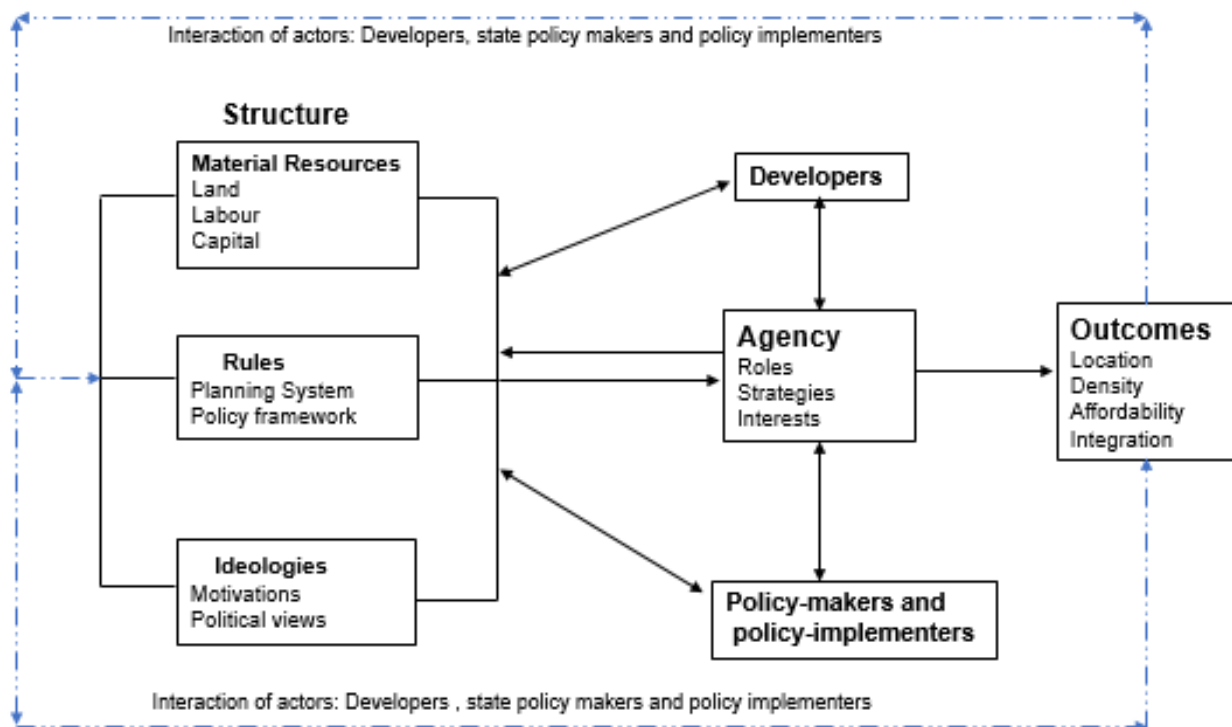
The property market is informed by and is cognisant of the dynamics and motivations of various role players. In order to investigate the processes that led to the outcomes of

affordable housing in South Africa, Healey's structure-agency theory is identified as the model of choice to guide the conceptual framework because it focusses on the interaction between structure and agency.

However, structure and agency theory alone does not adequately analyse the dynamics of the affordable housing market in South Africa because it has a poorly developed institutional analysis methodology. Ostrom's Institutional Analysis and Development framework is drawn into the conceptual framework because it bridges the gap on the problems associated with the poor understanding of institutions as part of structure. It is argued that the IAD framework provides a tool that can be used to analyse any type of institutional arrangements. Though both theories are more or less similar, IAD provides a more comprehensive analysis of the dynamics and behaviour of role players in diverse situations and different structural levels of analysis. Healey's structure-agency model cannot be completely disregarded because it offers an analysis directed at property development, which is our subject of research. Figure 2.2 above shows the similarities between structure-agency and the IAD framework. The exogenous variables in IAD framework are similar to structure in structure-agency theory, action situations and interactions are similar to agency, and the outcomes in IAD are similar to the outcomes in structure-agency theory.

A conceptual framework that allows us to study the relationship between the structural environment and the outcomes in the affordable housing market in South Africa is given in Figure 2.3 below. Key components of the conceptual framework are identified as *role players, structure, agency and outcomes*. The affordable housing market is characterised by role players who are the developers, landowners, financiers, state policy makers and policy implementers, and structure which refers to the rules, material resources and ideas, and agency which is shaped by the interests, roles and strategies of the agents. These role players are guided by a structure which comprises of the planning system and the policy framework (rules), material resources (land, labour and capital) and ideologies.

Figure 2.3: Conceptual framework for the analysis of outcomes in the affordable housing market



Developers are defined as the entrepreneurial role players in the property market. They orchestrate the development process by taking risk and investing, thus bringing together labour, capital and land (rights) to create a product (affordable housing) at specific locations, densities and cost. From an institutional perspective, the developer plays a central role at the nexus of the user, investment and development sectors. As such, interests and ideologies of developers are directly related to their behaviours. In this sense, developers are categorised as profit-oriented, non-profit oriented or state entities. Central to the decisions made by developers is their expertise in knowing the market, identifying opportunities, and mitigating the constraints to achieve the desired goals in the specified time.

State policy makers and policy implementers are provincial and local government representatives involved in the functioning of the affordable housing market. These are directly involved in the implementation of policy made at national level or municipal bylaws. At local level, these are planners and other officials involved in decisions aimed at shaping, regulating and stimulating the property market. They could be involved in land use management, spatial planning, human settlement planning, or land acquisition. At provincial level, these are involved in implementing housing policies by initiating housing development through acquiring

resources in form of land and finance. Policy makers are responsible for designing policy documents at national level or municipal policies and bylaws at local level.

The structural variables are identified as rules which are the planning system and policy framework, material resources are the resources of housing development such as land, labour and capital, and ideologies are motivations and political views.

Rules represent the rules and regulations pertaining to the planning system and housing policy framework. The planning system is defined as the mechanisms and institutional arrangements used by the government to intentionally intervene in the property market to achieve desirable objectives. These initiatives are intended to influence the agency of role players and include the regulatory framework, land use management, spatial planning and planning bonuses. The policy framework is defined as the rules and guidelines pertaining to the house building industry and emanate from the housing policies and other statutory bodies such as the National Home Builders Regulatory Council and South African Bureau of Standards. The planning system and policy framework give direction to the functioning of the property market.

Material resources are the inputs into the development of affordable housing. They are also referred to as the factors of production and include land, labour and capital. Land is referred to in its physical form, land rights and infrastructure on the property. Labour refers to the collective effort of executing a project. It includes the total cost paid to the contractor and other specialists like planners, environmentalists and architects for construction and obtaining approvals. Capital is defined as the financial resources invested in a development and can be in the form of subsidies, loans or equity.

Ideologies are defined in terms of motivations, philosophical orientation or political views that influence how role players perceive a development by allocating resources, devising strategies and protecting their interests. Ideological perspectives of developers are defined by what motivates them to be involved in a certain housing market. This can be for profit or non-profit. Policy makers and policy implementers are influenced by political perspectives, philosophical orientations or views on how state resources can be allocated for affordable housing. Ideologies impact on the allocation of resources towards affordable housing development and the level of intervention by the state in the affordable housing market.

Agency refers to the actions of role players. Roles, interests and strategies make up agency. Roles are defined in relation to elements of the development process.

The *outcomes* in the affordable housing market are a function of structure. The interaction of role players within a certain structure brings about the outcomes in the affordable housing market in terms of location, density, integration, and affordability.

- *Density* is defined in terms of the concentration of physical structures within a given geographical unit i.e. the total building floor area to the corresponding site (Cheng, n.d). For the purposes of this study, density is defined from the view of densification where there is an increased use of space both horizontally and vertically resulting in an increased number of units, promoting the move from one unit one plot scenario.
- *Location* (appropriate location in terms of compact city development) is defined as the relationship between the place of residence and the places of economic opportunities.
- *Affordability* is determined by the selling prices and rentals of the residential units in relation to the income groups housed and the national housing policy requirements for affordable housing; taking into consideration that housing affordability is attained if no more than 30% of the gross household income is spent on housing.
- *Integration* is the diversity of the development in terms of tenure, housing typologies, race and income.

The relationship between structure and agency, the interactions of role players in the affordable housing market and the subsequent outcomes is illustrated in figure 2.4 above. As indicated in the conceptual framework, there are two key role players namely developers and policy makers and implementers in the affordable housing market. The agency of these role players is influenced by structural forces (planning system and policy framework, resources for housing development and ideologies). The role players operate in different structural environments. This means that developers have their own rules, resources and ideas that influence their activities. Policy makers and policy implementers operate within their own structure, guided by their own rules. However, the main role players interact in the property market to produce the outcomes in terms of location, density, integration and affordability. Structure enables or constrains the act of agency of role players in the affordable housing market.

2.6 CONCLUSION

The aim of this chapter was to develop a conceptual framework for the research problem identified in chapter one. With the aim of finding the most appropriate model to analyse the outcomes in the affordable housing market, this chapter reviewed the theories of the development process such as the equilibrium models, event sequence models, agency

models, structure models and Healey's structure and agency model. The strengths and weaknesses of each model in relation to analysing the development process have been highlighted. Structure-agency theory was identified as the most appropriate approach to analyse the development process than the other models. This was partly attributed to the weakness identified in other models such as unrealistic assumptions and limitations on acknowledging structure or agency or failure to adequately account for the functioning of institutions in the property market. While Healey's structure and agency theory has its shortcomings, these were supplemented by combining it with tenets synonymous with Ostrom's institutional analysis and development framework which presents a well-developed understanding of institutions. Finally, the principles of structure agency theory with the insights of institutional analysis and development framework were used to develop a conceptual framework for the analysis of outcomes in the affordable housing market.

3 CHAPTER THREE: THE PLANNING SYSTEM, PROPERTY MARKETS AND AFFORDABLE HOUSING DEVELOPMENT


3.1 INTRODUCTION

This chapter seeks to critically review the concepts that link the planning system, property market and housing development with the view of identifying gaps in the literature. The objective of this chapter is to see how the study fits into the broader literature and what areas of contribution it might make. Land-use planning is perhaps the most important form of regulatory intervention in the housing market and the effects of such controls are of major policy interest (Bramley, 1993). Housing is a segment of the property market and the developments in any segment of the property market will have a particular effect across all the other segments leading to certain spatial outcomes in the property market. As such, the interface between the planning system and property markets is an important research area and this chapter critically examines the outcomes achieved by the facets of planning which intend to shape, regulate and stimulate the user, investment and development market This chapter is structured as follows: Section 3.2 discusses the property market followed by the planning system in section 3.3. Section 3.4 is a critical review of literature on the planning system, property markets and housing development. This is followed by a discussion of the knowledge gaps section 3.5.

3.2 THE PROPERTY MARKET

Knowledge of the property market is a crucial aspect in understanding the interplay between the planning system and housing development. The property market describes the institutional arrangements through which real property is used, traded and developed; and the range of role players involved in these processes (D'Arcy & Keogh, 1999). The property market has been analysed using the three level hierarchical structures as indicated in Figure 3.1 below. According to Zille *et al.* (2008), the property market operates within an institutional framework defined by political, social, economic and legal rules through which the society is organised and markets operate; secondly it is considered as an institution with a range of characteristics, rules and customs defining the nature of their game; and thirdly the institutional framework within which different organisations operate in the property market. As indicated in figure 3.1 below, the relationship between institutions and organisations at each level, and between levels, can best be described as highly interactive and capable of change in response to action, experience and perceptions of risk and return (Zille *et al.*, 2008).

Figure 3.1: The institutional hierarchy of property markets

The institutional environment <ul style="list-style-type: none"> • Political institutions • Social institutions • Economic institutions • Legal institutions 		Impetus for development Constraints on development Subject to modification in response to development experience
The property market as an institution <ul style="list-style-type: none"> • Market (and non-market aspects) • Decentralised and informal • Legal and conventional aspects of property rights • Legal and conventional aspects of land use and developments 		Mediator/facilitator of development activity Source of property market information Property market constraints on development Subject to modification in response to development experience
Property market organisation <ul style="list-style-type: none"> • Users • Investors • Specialist developers • Constructors • Property service providers • Financial service providers • Professional bodies • Governmental and non-governmental agencies 		Organisational structure of development Assignment of roles to actors Response to market environment Constraints/enabler of development Subject to modification in response to development experience.

Source: Zille *et al.*, 2008

D’Arcy and Keogh (2008) acknowledged that property is a bundle of rights and the property market is a constructed institution reflecting social patterns of power and influence. The property market exists within an institutional framework defined by political, social, economic and legal rules and conventions by which the society is organised (Keogh & D’Arcy, 1999). In this context, property markets can be considered to be intrinsically social and the property market is in fact a form of institution. Furthermore, understanding the built form depends on appreciation of the property market process, as does the identification of current and future opportunities. Healey and Barrett (1990) and Healey (1994) concur that the different goals and ideologies of agents and institutions, their relative power in the urban development process, the nature of interactions among agents and institutions and the kind of constraint they impose on each other characterise a property market and shape the built environment.

There are slightly different definitions of the property market. Zille *et al.* (2008) view the property market through the space, capital, development and land markets. The intersection of the space and the capital markets is where the property market emerges. According to Zille *et al.* (1998), in the space segment, users decide on the quantity, quality and location of space required to meet specific socio-economic objectives; the capital segment provides the funding required for the property market to function effectively. The availability of funding determines if property need can be translated into demand. The development market is informed by the space and capital market. It supplies the market with different types of properties, and this is

where decisions are made regarding the location of future supply. Furthermore, the development activity translates into a demand for land in the land segment.

Keogh (1994) identified three types of property markets as property development market, user and investment markets. According to Keogh (1994), user and investment markets are clearly separable since the market itself commonly distinguishes between the right to use property and the right to hold a purely financial investment interest in property. Development is conceptually distinct but is crucial to the explanation of use and investment markets. It is changes in these markets which stimulate development activity, and development which in turn supplies new user and investor rights into the market. The interest is on the interface between planning systems and the development market. These markets are influenced by agents and advisers who are involved in a variety of transactions.

According to D'Arcy and Keogh (1998), developers make different decisions depending on the property sector in which they are operating, whether they are building to sell or to hold and whether they are funding development from internal sources or by borrowing. If this is the case, then different sectors in the property market compete against each other for the land based on the highest and best use in terms of financial returns. This means, the market allocates land between different uses and sectors according to the principles of competition, comparative returns and, ultimately, the equation of demand and supply (Zille *et al.*, 2008). Left to themselves, the market will best serve the interests of the highest bidders in terms of the type of development, density of development, location of development, construction and infrastructure costs, demand for development and the supply of land. As such, the state's planning function serves to condition, channel and direct the market's internal rules and activities in relation to social and economic objectives (Zille *et al.*, 2008). The following sections focus on the planning system and its role in the property market.

3.3 BACKGROUND TO THE PLANNING SYSTEM

The planning system has been defined as a set of instruments and institutional arrangements that constitute a framework for the management of land use change (Healey, 1988). Klosterman (1985) views the planning system as a form of public intervention to what would otherwise be a spontaneous property market and unregulated land development process. The activities that constitute the planning system are identified by the role they play in the management of land uses. In every part of the world, the planning system is strongly shaped and influenced by the context within which it operates; for example, many countries have formal planning systems modelled from other parts of the world but these systems are inserted

into particular institutional contexts and their ability to influence land management as circumscribed by international, national and local forces (Watson, 2009). According to Greed (2000), the evolution of planning systems is influenced by different cultures and traditions and can be differentiated through the following indicators: the levels at which plans are produced, administrative structures, level of political involvement and the flexibility of the development plan. Despite the various contextual influences that have transformed the planning system, it has largely remained operational in the public sector but mainly as a local government function.

Land use planning and spatial planning are some of the terms used in the relationship between planning, property markets and housing development (Whitehead, 2007; Alexander, 2001; Healey, 1998). In relation to housing development, Adams and Watkins (2002) highlight that, the planning system plays a pivotal role in determining the location of new housing development by providing the main arena through which policy makers can influence development. This research will adopt the term “planning” to fully encompass the role played by various actors, policies, spatial planning and land use management in shaping the property markets and affordable housing development.

3.3.1 Defining planning

Healey (1998) views planning as a form of governance i.e. part of the process of regulation, coordination and control that enable or constrain action in society. Alexander (2001) asserts that planning assigns and restricts rights to the development and use of land and improvements; and development control intervenes in the process of land development, construction, occupancy and use to enable and constrain transactions in accordance with prescribed rights and rules.

Alexander (2005) identifies two approaches in planning theory that explicitly addresses the purpose of planning as descriptive (identifying the purpose of planning with its substantive field such as land use planning and development control, environmental planning and transportation planning) and normative (usually with implied ideological associations). In this context, planning is viewed from a much broader perspective other than its statutory function. Adams *et al.* (2005) concur that the conception of planning relates to the intentional interventions in market processes, usually (but not exclusively) by local government, in the pursuit of societal objectives.

The terms land use planning and spatial planning are used interchangeably with planning. Differing in meaning and configurations, an understanding of land use planning and spatial planning is important. Healey *et al.* (1988) defines land use planning as a set of instruments and institutional arrangements that constitute a framework for the management of land use change. Whitehead and Monk (2006) attest that a regulatory mechanism only allows development but does not ensure that development takes place unless the market regards it as worthwhile or unless government provides additional incentives. Therefore, land use planning is concerned with the control of land and the regulation of land development.

Whitehead (2007) defines land use management as a regulatory mechanism which aims to increase the efficiency of land and to ensure greater equity in that use. She further asserts that it is often supported in this aim by other methods of intervention such as public ownership and allocation of land and/ taxation and subsidy systems which change the incentives to use land in particular ways. This mechanism can be extended to land development where land use planning in form of a zoning system can designate land for housing at the same time excluding other uses (thus constraining supply). According to Whitehead (2007), the net effect on, for example, the amount of land made available for housing depends on the specifics of the individual regime. This implies that land use planning can be influenced by government policy concerning the regulation of land.

Ibrahim (1998) defines land use planning as a mechanism for the government to exercise its intervention on the urban development process. He further asserts that the government intervention in the process of urban development is important to achieve certain goals that relate to the public interest. Land use planning is given effect through planning laws. According to Van Wyk (1999), planning law is that area of law which provides for the creation, implementation and management of a sustainable planning process to regulate land use, with the purpose of ensuring the health, safety and welfare of society as a whole and taking into account environmental factors. Therefore, land use planning helps the government to achieve a more equitable and integrated form of development that could have not been achieved without regulations.

To achieve an integrated form of development, there is a need to visualise and map the future uses of land. In this view, spatial planning determines how we use space and how we organise the spatial elements and land uses in that space in a manner that will achieve desired end results (Du Plessis, 2010). It aims to intervene and shape the development outcomes affecting a specific area.

According to Du Plessis (2010), spatial planning is a multi-disciplinary activity that involves a range of stakeholders who are concerned with different aspects of the physical environment. Though it is mainly a public sector function to influence the spatial distribution of activities; spatial planning has a regulatory and a development function. As a regulatory mechanism, government (at local, regional and/or national levels) has to give approval for a given activity; as a development mechanism, government has to elaborate upon development tools for providing services and infrastructure, for establishing directions for urban development, for preserving national resources, and for establishing incentives for investment (Economic Commission for Europe, 2008).

Spatial planning has various definitions depending on the region and context, however, it is commonly shaped by the challenges that face developments. For example, spatial planning has to adopt the role of anticipating development, proposing alternatives and measures, and co-ordinating sector activities with regards to new challenges that face development such as globalisation, urbanisation and new development paradigms (sustainable development, local agenda 21) (Eggenberger & Partidário, 2000).

According to the Economic Commission for Europe (2008), the key role of spatial planning is to promote a more rational arrangement of activities and to reconcile competing policy goals. Spatial planning aims to allocate different land use functions and activities as effectively and efficiently as possible thus maximising benefits at a given location (Eggenberger & Partidário, 2000). Furthermore, it embraces measures to coordinate the spatial impacts of other sectoral policies to achieve a more even distribution of economic development between regions than would otherwise be created by market forces, and to regulate the conversion of land and property uses. Well-executed spatial planning strategies support a sustainable model of development in communities. The initial costs of planning are easily offset by improved efficiency, integrated financial strategies and reduced operating costs.

The definition of spatial planning varies across different countries. For example, the South African Government defines spatial planning as planning of the way in which different activities, land uses and buildings are located in relation to each other, in terms of distance between them, proximity to each other and the way in which spatial considerations influence and are influenced by economic, social, political, infrastructural and environmental considerations; while the British Government defines spatial planning as going beyond traditional land-use planning to integrate policies for the development and use of land with the other policies and programmes that influence both the nature and function of places. This includes policies that can impact on land use, but which are not capable of being delivered

solely or mainly through the granting or refusal of planning permission and which may be implemented by other means (United Kingdom Office of the Deputy Prime Minister, 2005). In Slovenia, spatial planning is defined in the 2002 Spatial Planning Act as an interdisciplinary activity involving planning land use, determining the conditions for the development and location of activities, identifying measures for improving the existing physical structures and determining the conditions for the location and execution of planned physical structures (Slovenian Ministry of the Environment, Spatial Planning and Energy, 2002).

According to the Economic Commission for Europe (2008), all countries need a minimum set of planning tools that enable effective and fair management of spatial development on the basis of agreed criteria. Planning is characterised by a typology of planning tools namely: market shaping, market regulation, market stimulating and capacity building (Tiesdell & Allmendinger, 2005). Planning tools can be defined as policy actions or initiatives intended to affect the decision-making environment (and in turn the behaviour) of market actors and to achieve desirable societal objectives (Adams *et al.*, 2005).

Market shaping tools may be more or less directive (i.e. intended to achieve a particular and identifiable purpose or outcome). In most local authorities, plans are the most common market shaping tools. Plans may be context specific and can vary from development plans, regulatory plans and indicative plans. The role of planning shaping tools can be extended to what Adams *et al.* (2005) identified as:

- Providing general coordinating information which may reduce uncertainty about the value of a property, or the possibility of positive or negative neighbourhood effects;
- Indicating government intentions regarding the location of public facilities and infrastructure;
- Providing information about regulatory policies i.e. permitted land uses, prohibited land uses or densities.

Alexander (2001) observes that the more authoritative a plan's information content, the more likely that plan will be a significant consideration in market role players' decision making. This implies that the more flexible the plan is, the less reliable it might be and the less likely it will influence the decision-making environment.

Market regulation tools seek to regulate and control market actions and transactions. Regulations affect decisions by restricting the set of choices available i.e. defining the boundaries of the role player's opportunity space (Adams *et al.*, 2005). They further assert that market regulation tools are generally operated by the state, taking certain rights in land

and making subsequent exercise of those rights subject to permission. For example, application for planning consent releases certain development rights while a zoning ordinance constraint the exercise of development rights within a zone (i.e. building heights and land coverage restrictions). Alexander (2001) observes that strict regulation linked to relatively rigid statutory planning is the best assurance of knowledge about development potential based on predictive and authoritative information. This is based on how efficient and effective the regulations are enforced.

Market stimulation tools seek to facilitate markets to work better. Market stimulating tools do not limit the choices available to market actors but change the contours of that opportunity space making some strategies more or less advantageous to market actors (Adams *et al.*, 2005). The most common types of market stimulating tools are: fiscal measures which are enforced through subsidies and tax breaks that encourages more of the desired activity and taxes that discourage the undesired activity; and direct state action which is a direct intervention like provision of infrastructure in in preferred development areas.

3.3.2 The rationale for planning in the development process

According to Lai (1994) cited in Alexander (2001), discussion of public land use planning and development control has given different answers to the question “why does society choose this institution of government regulation of land uses?” The answers to this question are guided by what planning is for and the contribution of planners and planning agencies to their communities. Healey (1998) asserts that recurrent function of land use planning systems since the end of the last century has been to regulate land and property development activity. She further asserts that the purposes of such regulation are in part to protect landowners and developers from the consequences of their own activities-overstretched infrastructure systems, loss of amenities as sites are progressively developed, dramatic falls in property values following speculative splurges. Though this seems like the general consensus on justifying planning, there are different perspectives depending on the prevailing situation.

The first paradigm on the justification for planning emanated from Pigouvian welfare economics which uses the concept of market failure to account for public intervention. According to Alexander (1992), failures in supposedly perfect markets include negative externalities for example environmental pollution, positive externalities demanding some public-private goods (such as education), and pure public goods that the market cannot supply (for example defence). Market failure occurs when the invisible hand pushes in such a way that individual decisions do not lead to socially desirable outcomes. Negative externalities are

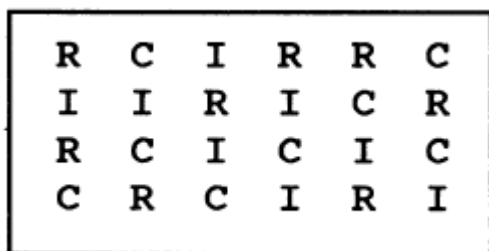
defined as acts that impose unaccounted for costs on others, for example, a noisy business decreases the enjoyment of one's property; while positive externalities are acts that confer unaccounted for benefits on others, for example, the development of a park increases enjoyment of adjacent residential uses. According to Lai (1994), market failures include negative externalities demanding separation of incompatible land uses while positive externalities suggest the integrated planning and development of compatible or synergistic land uses, and the public goods aspect of necessary public facilities, open space and infrastructure investments.

According to Healey (1998), planning systems typically contain powers to enable assistance to the processes of land assembly and infrastructure provision, as well as the regulation of development quality. Lueck (2011) identified ownership structures, the laws of nuisance, servitudes, and zoning as common way of addressing externalities. Zoning is the most common and widely used form of intervention in land development. Lai (1994) defines zoning as the government delineation or restriction of rights over land with certain spatial confines. Its main objectives are:

- To separate incompatible uses, which generate negative externalities which harm each other;
- To integrate compatible uses, which generate positive externalities so that they are mutually beneficial; and
- To interject public goods like roads and open spaces in suitable locations.

According to Lai (1994), the most popular use of the social cost concept in planning is that some land uses are inherently incompatible and hence they need to be segregated by zoning. Lai (1994) gave an example of three classes of activities (Industrial (I), residential (R) and commercial (C)), which could have otherwise been randomly distributed in the absence of planning as depicted in Figure 3.2 below.

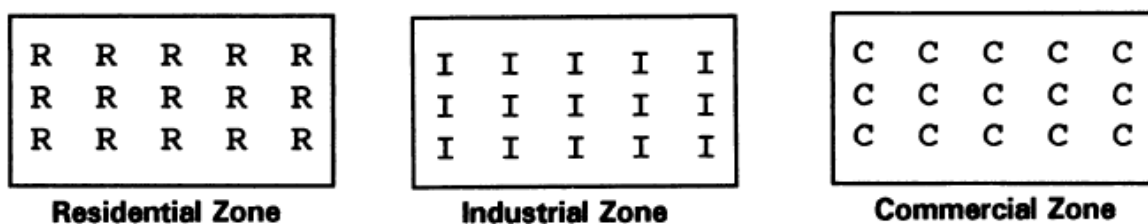
Figure 3.2: Natural state of random spatial distribution of activities



Source: Lai, 1994

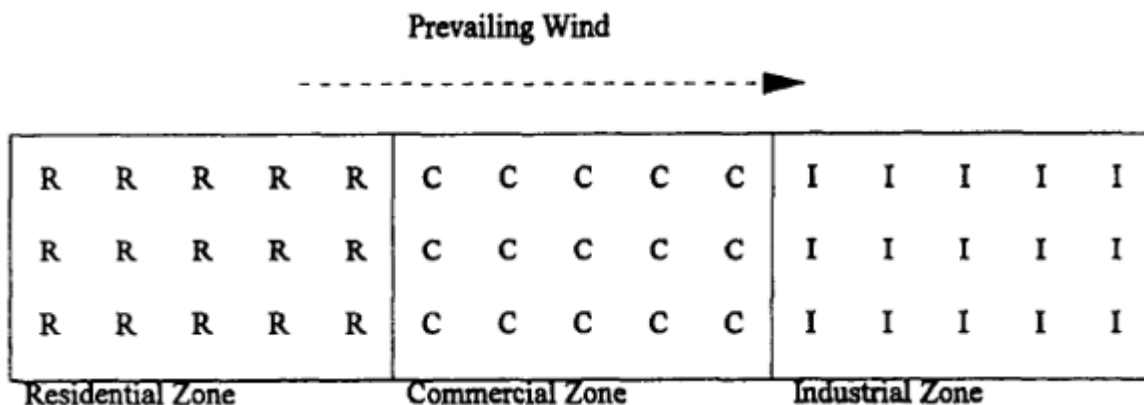
Lai (1994) asserts that land use planning is meant to prevent this natural state of random land uses, and hence associated chaos, from occurring. He furthermore depicts zoning as a two-step process that groups activities into classes e.g. Industrial (I), Residential (R) and Commercial (C) as indicated in Figure 3.3. below; and land use zones are rationally arranged in spatial terms on a zoning plan with the purpose of preventing incompatible land uses from interfering with each other. Uses which are considered mutually beneficial and hence compatible as in the case of residential and commercial may be put side by side as depicted in Figure 3.4.

Figure 3.3: Grouping of activities into classes or zones



Source: Lai, 1994

Figure 3.4: Proper spatial arrangement of land use zones without public goods



Source: Lai, 1994

Klosterman (1985) argues that planning:

- Is needed to provide public or collective consumption goods, such as a healthy and pleasant environment, which cannot be provided adequately by even perfectly competitive markets;
- Results from the inability of markets to deal with social costs and benefits of production and consumption that are not reflected in market prices or revenues;

- Is reflected in the public and private need for improved information on the long-term effects of location decisions necessary for making adequately informed market decisions;
- Results from the fact that market competition alone is incapable in principle of resolving distributional questions in a socially acceptable manner.

He further asserts that *“planning is required to represent broadly defined interests that are neglected in the competition between organized groups representing narrower interests. And it is required to represent the external effects of political decisions on groups and individuals who are not directly involved in the political bargaining process. Improved information on the short- and long-term consequences of alternative public policies and actions is required to facilitate the group bargaining process. And planners are required to serve as advocates for society's neediest members, who are systematically excluded from the group bargaining process”*.

The above justification for planning is based on the Pigouvian welfare economics which argues that as the market only responds to private costs, it would fail to equate marginal value and marginal social costs, which is required as a condition for Pareto economic efficiency. The main argument is that the state or government should intervene in the market to correct the inefficiency. The Pigouvian paradigm is said to be interventionist, perceiving a positive role for government or state regulation of the land market.

The second paradigm on the justification for planning is based on the Coasian paradigm (Ronald Coase's problem of social cost). Alexander (1992) argues that the welfare economics view explicitly or implicitly associates planning with public and government intervention, in a dichotomy between public sector and the free market. However, Coase (1970) pointed out that the market also incurs some other types of transaction costs (the costs of negotiating the relevant prices), and that is why firms emerge to reduce such costs. Government planning agencies are typical examples of firms that emerge to tackle transaction costs in the land market (Lai, 1994). They do so in assigning, reassigning and attenuating rights of landowners.

Alexander (2001a) asserts that, by assigning development rights, planning helps create the institutional environment for land and property markets. He points to planning's potential to reduce the transaction costs of development by managing neighbourhood effects and bestowing greater certainty about the future. From the above definitions of planning, property rights play a central role in the institutional environment of the land and property markets. It is the role of planning to assign and restrict right to a development and use of land and

development control intervenes in the process of land development to enable and constrain transactions in accordance with prescribed rights and rules (Alexander, 2001b). Regulation becomes necessary to make markets efficient (Coase, 1959), and the clear delineation of property rights is a critical precondition for markets to work at all (Coase, 1970). The assignment of and control over land uses will generally reduce transaction costs and can create or enlarge markets (Lai, 1994).

Coasian Transaction Cost Economics justifies public land use planning and zoning as a form of institutional governance that regulates the property rights framework necessary for land and property markets to function (Lai, 1994 cited in Alexander, 2005). In justifying the use of institutional economics in planning and land development, Alexander (2005) asserts that institutional economics and transaction cost theory provides the rationale for public planning and land use intervention. Furthermore, it has a potential for the analysis of land use planning and its institutions as well as assessing the best governance regime for land development and production of the built environment.

3.4 PLANNING SYSTEM, PROPERTY MARKETS AND HOUSING DEVELOPMENT: A REVIEW OF THE EMPIRICAL LITERATURE

Planning can be seen to restrict the supply of land for residential development and impose additional costs on developers, at the same time planning bonuses and similar tools are considered potentially valuable in meeting the housing needs of low-income to middle income-households. Adams and Watkins (2002); Kim (2011) and Whitehead (2007) attested to the idea that planning constraints can impact on different groups of actors including developers, existing landowners and new purchasers since they lead to higher prices, densities, restrictions in the quantity of homes supplied and convergence in the type and design of homes. These debates are only a few of the many views on the relationship between planning and the housing market.

Literature on the interpretations of the relationship between planning and property markets has been dominated by three mainstream approaches: neo-classical economics, welfare economics, and new institutional economics (Adams *et al.*, 2005a), each of which presents planners with a fundamentally different question. Whereas neoclassical economics asks how far planning policy directly affects the overall quantity of market supply and demand, welfare economics concentrates on the extent to which planning policy is able to overcome market failure, while new institutional economics focuses on its capacity to reduce (or indeed increase) market transaction costs (Adams & Tiesdell, 2010). In each of these approaches, the

market is essentially viewed as dichotomous to planning: open, of course, to influence, but characterised by the unfamiliar terrain of profit-driven behaviour (Adams & Tiesdell, 2010). This study will categorise the literature in two broad categories namely: international literature and South African literature. Both categories employed mainstream approaches and institutional approaches. Mainstream approaches typically employ neo-classical econometric modelling as the main approach which tends to neglect the social interactions in housing provision whereas the institutional approaches adopted institutionalism which is concerned with the social, political and economic factors influencing the housing processes. From an epistemological point of view, an institutional approach in housing studies recognises that the habits or behaviours of market actors shape housing market outcomes (Ball, 1998) whereas the mainstream econometric modelling approach neglects institutions and its positivist-deductive approach employs assumptions in achieving its conclusions (Hamzah, 2013). The relationship between planning, property and housing markets can be viewed from various perspectives. As such, the various trends emanating from this discourse are discussed below.

3.4.1 International literature

According to Adams (2008), the studies that formed the mainstream literature typically employ econometric modelling with underlying neo-classical economic assumptions of market efficiency and rational behaviour to predict impacts of regulations on the price and quantity of housing. The neo-classical approach embodies the notion that markets adjust to remove disequilibrium between demand and supply and that this adjustment occurs rapidly. This type of approach is associated with econometric analysis concerned with outcomes. Often, the outcomes of the effects of planning on housing include an increase in house prices, restrictions in housing supply and lower house price elasticities, density restrictions in urban areas and urban sprawl.

The questions on the relationship between land use planning, land supply and house prices and the intended or unintended consequences of planning have been typified by the Evans-Grigson debate. Grigson (1986) argues that modifying land supply through the land-use planning system cannot affect house prices because prices are demand determined, and supply does not adjust significantly and quickly. Therefore, any change resulting from planning will be too small to affect the overall market. This implies that house prices are affected by the demand for the houses, which in turn is affected by income, inflation and availability of credit, amongst other factors. Monk *et al.* (1996) argue that the housing system in this view is regarded as a single market so that changes in one area will be absorbed without cost into other areas.

Evans (1987) argues that the land use planning system affects both the overall extent of land supply and the extent to which the supply can respond to changes in price. In this case, the planning can constrain the supply of land leading to a shortage of housing supply thereby increasing the price of land for housing and house prices. From this perspective, Monk *et al.* (1996) argue that housing and land seem to be segmented, so that change in one location will not fully offset compensatory responses elsewhere. It can be discerned from both arguments that as long as planning is operational, there is some form of restriction of land development. Pearce (1992) contends that developers must obtain planning permission from the local planning authority, who can thereby restrict development in some areas while allowing it in others. Therefore, both these arguments acknowledge the elasticity of land and the responsiveness of the planning system.

Jackson (2016) estimated the extent to which the supply of new housing is restricted by land-use regulations. Using a panel of regulatory data from California cities to estimate the effects of various land use regulations individually and collectively on residential developments from 1970 to 1995, Jackson (2016) found that land use regulations significantly reduce cities' housing supply and new construction but to a lesser degree than suggested by pooled regressions. He further found that regulations defined as zoning controls and general controls are the strongest deterrents to development, resulting in substantial reductions primarily in multifamily construction. Jackson (2016) argues that since some regulations curtail developments and others boost it, aggregate measures of land-use regulations potentially mask important elements of the relationship between land-use regulations and residential development. Consistent are the views by Glaeser and Gyourko (2018) who suggested that studies such as environmental impact assessments may be associated with higher project uncertainty and added time delays that increase the development costs.

Grimes and Mitchell (2015) investigated the impact of planning rules and regulations, council related delays and uncertainty have on the development cost of residential dwellings in the affordable housing category in Auckland. After a survey of developers, Grimes and Mitchell (2015) found that building height limits, balcony requirements, conforming to the council's desired mix of apartment typologies and minimum floor-to-ceiling height affected the actual building costs of apartments. Infrastructure contributions not related to the specific development, section size requirements, extended consent processes and urban design considerations stemming from the council's urban designers had major cost effects on sectional titles and free-standing residential developments. These conclusions are consistent with Glaeser and Gyourko (2018) who suggested that the type of local land use regulation in the United States ranging from building code requirements to strict limits on the number of

units delivered, also differs across markets and can affect construction costs associated with putting up a structure, as well as the underlying price of land.

Malpezzi and Mayo (1997) used a simple regression model to compare housing supply elasticities in the Republic of Korea, Malaysia and Thailand to show how various public interventions (taxes, subsidies and regulations) constrain supply elasticity especially in the Malaysian housing market. They found that government interventions increased housing costs and enabling regulatory environments are associated with elastic supply and overly strict environments with inelastic supply. According to Baken and Van der Linden (1993) in Buckley and Kalarickal (2005), the study ignored political and cultural frameworks within which land markets function. This implies that supply inelasticity is not only caused by the regulations but by the broader policy framework that governs land supply such as the control and ownership of serviced land by the public sector especially in developing countries. Buckley and Kalarickal (2005) argue that if the public sector continues to control and own large amounts of the supply of serviced land, one of the key inputs into housing production will be less responsive to increases in demand. This implies that increased demand will be accompanied by a rise in prices. For example, studies that examined whether urban land shortages exist in Korea (Son & Kim, 1998; Green *et al.*, 1994 and Hanna *et al.*, 1993) concluded that high housing prices are clearly a direct result of misdirected policy that not only makes supply of housing inelastic but also constrains the absolute level of housing available in the markets. Drawing on the work of Evans (1983) and Neutze (1987), Bramley (1993) argued that the absence of planning cannot solve all the problems of housing supply, even theoretically because housing supply would not be completely elastic. Planning in practice can be quite responsive to the market and vice versa.

Drawing on the work of Eve (1991) on the investigation to the extent to which land supply and particularly the operation of the planning system had affected house prices in Britain during the 1990s; and how far planning had placed a constraint on land supply or simply reorganised that supply, Monk *et al.* (1996) drew general inferences on the effects of the British system on planning for housing. They concluded that the planning system imposes significant costs, which include the exacerbation of price increases in periods of economic growth, but without being able to generate higher housing output during recession. Furthermore, the planning system tends to foster a narrower range of housing types and densities than would be expected in its absence, and so restricts the choice available to consumers. Monk *et al.* (1996) further suggest that the planning system can affect the supply of land made available for housing by:

- Restricting the total quantity of housing land across the country as a whole;

- Restricting the location of the land that is made available;
- Restricting the way that the available land is developed; and
- Changing the timing of development.

Literature that has examined the effects of government interventions on housing observed an increase in prices and densities. Brueckner (2007) empirically investigated the effects of government land use interventions on housing consumers. Drawing from various World Bank researchers, he identified government interventions as urban growth boundaries, floor area ratio (FAR) restrictions, cost increasing regulations, bureaucratic control of development decisions and radically based land use interventions like apartheid in South Africa. Using the standard urban model developed by Alonso (1964), Muth (1967), Mills (1972) and Wheaton (1974) which provided a framework for analysing land use interventions in a spatial context, he concluded as follows:

- On the effects of an urban growth boundary: Compared to a city where no urban growth boundary is present, a city with an urban growth boundary is spatially smaller, has more expensive housing, higher land rents, taller buildings and smaller buildings. The higher housing prices caused by the urban growth boundary lead to lower standard of living, harming the city's residents. Unless there are offsetting benefits, an urban growth boundary is a counterproductive land use intervention that makes consumers worse off.
- On the effects of Floor Area Ratio (FAR) restrictions, he concluded that Floor Area Ratio limit leads to an increase in housing prices, city expands spatially, and buildings grow taller wherever the FAR limit is not binding. As is in the case of urban growth boundaries, imposing FAR limit in the absence of offsetting benefits is a counterproductive policy that harms consumers.
- On the effects of cost increasing regulations, he concluded that a city facing higher development costs due to various government interventions has higher housing prices, smaller dwellings, taller buildings and a smaller spatial area than a city without such interventions. Because of higher housing prices, city residents are once again worse off.
- On the effects of a racially based land use intervention as the case of South Africa, he concluded that it leads to an inefficient, inverted density pattern, with population densities in the outer parts of the city much higher than in the white central neighbourhoods.

Also consistent are the arguments by Cheshire (2008). According to Cheshire (2008), planning allocates a scarce resource (land for urban development) but independently of prices or any market information. By analysing a series of work by Barker (2003, 2004, 2006a, b), he argues that the British planning system does not operate on the supply of housing directly, but indirectly via the constraint imposed on land supply. He further asserts that the demand for housing land is a derived demand, so the British planning system only indirectly affects housing supply and the price of houses through its policy of containment and, more recently, densification.

On investigating the relationship between land use regulation and residential construction, Mayer and Sommerville (2000) characterised regulations either as adding explicit cost, uncertainty or delays to the development process. Using data from 44 United States metropolitan areas, they found that the land use regulations lower the steady state of new construction and the regulations that lengthen the development process or otherwise constrain new development have larger and more significant effects. Cheshire and Sheppard (1989; 1997) applied a sophisticated intra-urban model to measure the impact of planning controls and planned amenity provision in a limited number of cities. Their general conclusion is that the British planning control, by containing urban extension, tends to increase house prices moderately but has its main welfare impact in the form of increasing densities and house-type mix. These conclusions are consistent with the qualitative observations of Evans (1991) concerning the type of housing produced under the relatively tight planning regime which is characteristic of southern England.

Kok *et al.* (2014) investigated the relationship between the regulation of urban development within different jurisdictions and land prices in the San Francisco Bay area. Using a new data source on land prices to test a number of hypotheses about the relationship between the prices and a number of factors, they found that cities that require a greater number of independent reviews to obtain a building permit or a zoning change have higher land prices. Kok *et al.* (2014) further found that the geographic variation in the restrictiveness of the legal and regulatory environment, measured by the number of approvals needed to obtain permits or zoning changes strongly correlate with the value of land, even after controlling for a suite of demographic and other characteristics of the local environment. This implies that procedures associated with obtaining planning permission impact on the cost of land and consequently on property cost because land values represent a large fraction of house prices.

Pollakowski and Watcher (1990) estimated the effects of zoning restrictions on house prices within Montgomery County and Maryland. The authors generated hedonically adjusted repeat

sales, housing price time series measured quarterly across 17 planning areas of the county; and constructed indexes of restrictive land use practices based on proportions of developed and vacant land in various zoning categories. They concluded that land use regulation tends to raise the housing and land prices due to the monopoly control of land use regulations and the increase in the quality that enhanced the value. On the contrary, Dispaquale and Wheaton (1996) found that prices of private housing was affected by income growth, the supply of new housing and interest rates.

Closely related to effect of planning regulations on property prices and supply are the effects of community opposition also known as “not in my backyard” or Nimbyism to house-building on the supply of housing. Glaeser and Gyourko (2018) assert that zoning laws were enacted to limit negative externalities from spill overs between different kinds of land users, however, researchers agree that such regulation has proliferated across markets and became onerous. Drawing from the argument that community opposition to house building has been cited as one of the key factors in the decline of housing supply, Bradley and Sparling (2017) investigated the impact of neighbourhood planning in England on housing development and analysed its lessons for state strategy on localism. Neighbourhood planning was intended to overcome opposition by devolving limited powers to communities to influence development. They found that neighbourhood planning appeared to demonstrate citizen acquiescence to the agenda of spatial liberalism, thereby boosting housing numbers. This implies that restrictions are not limited to planning regulations but can extent to the interests of communities in a particular development even though it is usually dismissed as illegitimate or ignorant.

Even though mainstream approaches have dominated the literature, authors such as Monk and Whitehead (1996; 1999), Monk *et al.* (1996) and Adams and Watkins (2002) explored other approaches. Monk and Whitehead (1999) used a combination of behavioural and mainstream approaches to provide a richer analysis of the interrelationships that exists between planning and housing markets and addressing the housing market segmentation. They examined the behaviour of different planning authorities whose approach to structure plans differed. The behavioural approach was used to show whether the actual outcomes of the process impact on the behaviour of actors. They concluded that the impact of constraint on land and house prices significantly modified the behaviour of suppliers especially developers based on their knowledge of the market for example, the impact of new supply was greater where authorities became flexible by permitting land with planning permission to exceed that indicated by structure plans. A combination of both approaches gives a better insight into both processes and outcomes.

Institutional approaches that focus on the impact of planning regulations on the housing market enable exploration and explanation, rather than the quantification of the effects of planning on the housing market. It is acknowledged that, “the housing market is more complicated than what models represent; property development is a messy business within which lies the mysterious force of power that constantly influence development processes, whilst the built environment is actually steeped in history and local difference that defeats assumptions of a unitary effect of policy at the regional level, therefore more than an economic model is required” (Ball, 1998). Consequently, the main focus is on the roles, perceptions and decisions of various actors involved in the process and how these decisions are influenced by factors such as rules and regulations within a particular setting. The process of housing development involves various actors such as planners, developers, government representatives, policy makers and financial institutions. The interactions of these role players and various institutions influences the outcomes in the housing market.

The literature that employs institutional approaches can be viewed mainly from “behavioural”, “structure and agency” or “structures of provision” perspective. The behavioural approach is focussed on the process rather than the market view of development (Drewett, 1973 cited in Monk *et al.*, 1996). It looks at the various stages which land goes through when converted from one type of use to another; emphasising on the decisions made by various actors involved in the process and how these decisions alter in response to changes within the process and external factors. According to Monk *et al.* (1996), the main findings from this approach are that the attitudes of decision makers and the characteristics of sites in each locality vary considerably, and imperfect knowledge and information are particularly important in determining outcomes. This implies that both the nature and the outcomes of planning constraints on housing land will differ significantly between localities (Rydin, 1985).

A contrasting view on the interaction of agencies in the housing market in shaping the outcomes was illustrated by Monk *et al.* (1996). Monk *et al.* (1996) adopted a behavioural approach in comparing the private and social benefits of land use planning in four locations. Data was collected about the planning regime, the number of planning applications and their outcomes, the attitudes of builders and planning officers, and the number, types and densities of dwellings built as well as land and house prices over 20 years. According to Monk *et al.* (1996), local planners attempted to channel new housing development towards selected locations relating to employment generation rather than housing market demands. This shows that planners can use certain strategies within the planning system to achieve desired outcomes. The developers` site preferences were compromised by the strategies of planners. The overall conclusion was that the planning system increases volatility of the housing market.

Consistent are the views of Rydin (1985) and Short, Fleming and Witt (1986) cited in Monk and Whitehead (1999) who suggested that the idea is to look at the process of implementing the land use regulations and see not only the actual outcomes but how the regulations establish a set of incentives and constraints that alter behaviour in certain ways. In the context of housing markets, the implementation process of housing policy involves the conveyance, interpretation and negotiation of policy between a number of actors within pre-existing legal, political and social environments (Hamzah, 2013). This is in line with Healey's structure and agency theory that emphasizes the relationship between the way role players behave in deploying resources to realise specific investments and the broader processes that drive strategies and interests of various actors involved. This implies that the dynamics in the interaction of the key players in negotiating rules, regulations and strategies within a certain structure shapes the supply elasticity of housing rather than the regulations themselves. Whitehead *et al.* (2010) further concurs that regulations may be a less important cause of house price inflation compared to other factors such as scarcity and administrative failure factors.

Healey (1991) and Ball (1998) are supportive of the acknowledgement of agencies involved in the housing market and relations amongst them. However, they advocate for the recognition of institutions in analysing the impact of regulation on the housing market; thereby revealing the dynamics that shape the housing market in the regulatory environment such as the political, social and economic environment as well as the operation of government institutions. Healey (1991) proposed the structure agency approach, Van der Krabben and Lambooy (1993) proposed the institutional organisation of the property markets which considered the composition of the group of actors that take part in the development industry, the different strategies of market parties, the institutional (non-market) relations between market parties and the public sector, the meaning of property ownership and property rights and the impact of various rules while Ball (1998) used the Structures of Housing Provision.

Of the authors who sought to employ institutional analysis, Adams and Watkins (2002) adopted the institutional analysis approach to examine the institutional and policy context in which residential developments take place, to examine the financial and economic impact of housing land policies and to place current controversies on the location of new housing developments within an institutional context. They argued that sustainable compact cities can only be achieved if the process of development is better managed and the products of development are of high quality since this has important implications on for private investment and public policy. Furthermore, excessive reliance should not be placed on the planning system alone as a policy measure, instead planning should form part of a broader land policy,

if tightened controls on green-field developments are not to prove ultimately self-defeating. In exploring the impact of the planning system on the housing market, focusing mainly on the impact of planning intervention on a range of market outcomes including the price, quantity, quality and density of new housing developments as well as the impact on different groups of actors, including developers, existing landowners and new purchasers, they concluded that planning constraints lead to higher prices, densities, restrictions in the quantity of homes supplied and convergence in the type and design of homes. If this is the case, then it implies that land use management regulations affect the provision of different housing categories in both positive and negative ways.

In land and property markets, there is growing literature that seeks to explore the new institutional economics perspective (Alexander, 2001; Webster & Lai, 2003; Buitelaar, 2004; Van der Krabben & Lambooy, 1993). According to Needham *et al.* (2011), new institutional economics emanates from the observation that markets do not function without friction due to imperfect information, uncertainty and opportunism. The concepts of transaction costs and property rights are associated with new institutional economics which is widely regarded as a key development in contemporary mainstream economics (Fine & Milonakis, 2009 cited in Adams & Tiesdell, 2010) and should be seen as an extension of neo-classical economics (Adams *et al.*, 2005b). Among writers who have sought to apply new institutional economics to planning, Alexander (2001) analysed the rationale for public land use planning and development control based on the transaction cost theory. He asserts that planning reduces uncertainty, while confidence in plan implementation by statutory development control assures that the information the plans provide is authoritative and reliable. Furthermore, by assigning property rights, planning helps create the institutional environment for land and property markets. He points to planning's potential to reduce the transaction costs of development by managing neighbourhood effects and bestowing greater certainty about the future.

However, Dawkins (2000) highlights the increased transaction costs that private developers actually incur as a result of lengthy delays in plan approval and implementation. In relation to this, it is important to highlight how planners perceive themselves in this complex maze of markets, policies and the future. According to Adams and Tiesdell (2010), planners in practice may not categorise their role as shaping and regulating and stimulating markets, however, he contends that it could be a helpful way to think about market engagement. It follows that planning has a crucial role to play, not only in affecting supply and demand in the housing market but in shaping the environment for housing and property development by reducing risk and providing authoritative information thus influencing the decisions made by various roles players which have an impact on the outcomes in the housing market.

In Africa, the relationship between house prices and the planning system has been viewed from the land prices and the regulatory framework. The Economist (2017) investigated why affordable housing is barely affordable in most African countries. Citing case studies from Ethiopia, Cameroon, Ghana and Angola, they found that inappropriate regulations drive up costs. For instance, local materials are often prohibited in favour of more expensive imports. In some countries, strict minimum-lot sizes, many dating back to the pre-independence era, when urban populations were smaller and the average inhabitant wealthier price all but the richest out of the formal market. The Economist (2017) further cited land as a fundamental problem. They assert that due to the thin urban land markets, only 10% of the continent's land is registered and marketable leading to inflated prices. Furthermore, the lack of secure and enforceable land rights hinders the access to housing finance and affordable mortgages.

In Ethiopia, the ministry of urban development, housing and construction (2014) assessed the urban development policies in relation to addressing the housing needs. They found that the land management system excessively over regulates what land holders can and can't do and makes it top-to-down resulting in inflexible land use regimes hindering economic development. Furthermore, the stiff over-regulation is established at the federal and regional levels, while local governments do not have direct control over numerous land management parameters that are local by their nature such as the types of land uses recognized in land planning documents. This leads to confusion in cities about what can and can't be expected from the federal cadastre project, and when. They found that the land use management system in Ethiopia was inefficient, took long (over 1-2 years), lacked information such as current land use maps or inventories of vacant land, plans lacked vision, goals and objectives, planning documents also lack clearly defined quantitative and qualitative programming directing the spatial dimensions of planning; as well as appropriate development and building regulations. The ministry of urban development, housing and construction (2014) concluded that the overarching goal and focus of government should be directed at making land management more effective, efficient, harmonized, and practically contributing toward implementation of public policy goals set by the government regarding economic development, urbanization, and decentralization.

In reviewing the land use planning system in Zimbabwe, Kamete (1999) found that the land use planning system has been very restrictive especially in its dealings with high density housing. He further highlighted that the planning system while being regulatory in nature, failed to anticipate and/ or even ignored the new challenges brought about by the post-independence socio-political and economic situation. This was illuminated in Zimbabwe during the *operation murambatsvina* (operation restore order) where illegal housing structures were destroyed in a bid to restore the normal functioning of the urban system (see Potts, 2006). What is clear from

this case is that the government failed to address its overly high building standards, and this manifested into a housing crisis characterised by informal housing on un-serviced land and backyard shacks. This contravention of urban by-laws led to the eradication of these housing types regardless of tenure status. It was concluded that a major aspect of the regulatory framework are the building standards and the immediate consequence of excessive building standards is the increased cost of development and unaffordability of units. The ripple effect of soaring development costs is reduced supply of affordable housing units, or developments that do not comply with the requirements. Consequently, majority of the affordable housing market remain with inadequate accommodation in backyard rooms and shacks. It should be noted that most developing countries are faced with policy and regulatory enforcement challenges.

3.4.2 South African literature

In South Africa, the relationship between planning and housing has revolved around the ability of the poor to access and develop land, affordability and government interventions. In investigating the challenges, Berrisford *et al.* (2008) in their case study of Ethembaletu found that inconsistent or inadequate policies and legislation, confusion between a myriad agencies involved, lack of clarity over responsibilities and accountability, lack of capacity of the implementing agencies, the rising costs and delays in accessing building materials, corruption and a lack of training for both government officials and housing hopefuls and “not in my backyard” syndrome from wealthier communities are the major challenges faced by the poor in accessing land and housing. Furthermore, they concluded that planning systems are extremely complex and laden with transaction costs, for example township establishment process, environmental impact assessment processes and land taxations which in the end stifles the capacity of all actors and constraining the ability of the poor to acquire and develop land. Kitchin and Ovens (2013) pointed out that besides the costs associated with specialist studies such as EIA, geotechnical investigations and land surveying, applications involve application fees and advertisement fees. In addition to the direct costs associated with the actual application compilation and submission process, there are delays in finalising applications, approval of building plans and obtaining building permits. However, the delays have cost implications which are carried by the developer in terms of the increase in construction costs and land handling costs.

With very limited literature on how to quantify the actual cost implications caused by delays in the planning process, Oranje *et al.* (2010) investigated the perceptions and everyday experiences of developers and municipalities around urban land development. Using five

different types of developments situated in various municipalities, the study found that there are various factors influencing developments. For developers:

- Profit margins are the overarching factor influencing decision-making around developments.
- Geo-technical conditions, community benefit, environmental impact and municipal development objectives were perceived as important factors.
- Lack of capacity and especially unrealistic bureaucratic delays on the side of municipalities were perceived as challenges for development, and;
- Land holding costs and bulk infrastructure contributions were perceived as the biggest cost contributors.

For municipal officials, the lack of capacity and internal politics influenced the decisions made around developments. The study further found that the interactions between developers and municipal officials though marred with negative perceptions due to stereotyping and misunderstandings eventually becomes more reasonable and rational with the intent to achieve a common goal. This points to the importance of understanding the relationship between rules, resources and ideologies in determining the actions of developers and the possible outcomes.

Kihato and Berrisford (2006) examined the role of regulatory frameworks in the management of urban land in South Africa and how it influences access to land among the urban poor. By identifying thematic issues relating to different aspects of the regulatory framework for land management, Kihato and Berrisford developed positions with regard to their influences on urban land markets and the poor. They cited that regulatory frameworks are intended to protect and enhance investment, for instance zoning and other regulations that prevent uses of land that negatively affect property values. They found that the regulatory laws are too technocratic and highly procedural, thereby hindering the activities on land such as densification. Furthermore, zoning regulations control the density, height, floor area ratio amongst others on buildings which will affect the carrying capacity on land zoning conditions. They concluded that there is a range of regulatory tools available to the state to manage urban land, but these are either not used adequately or have not been sufficiently well-developed to be useful. This implies that while the regulatory framework has the potential to shape, regulate and stimulate the market, it has not been fully utilised to achieve the desired developmental goals.

Also consistent are the conclusions of Rubin (2008) in her study of the contemporary land use management systems and their operation at both policy and practical level. Using five Johannesburg case studies to respond to the criticism that the current land use management systems serve mainly to support the interests and amenity of property owners, rather than addressing the needs of the most vulnerable of our society whose exclusion from the land market maybe reinforced by regulative planning regimes. Rubin (2008) found that there are different policies, programmes, strategies and plans to be consulted by actors, however, the documents are aligned but do not speak to each other. On the application of land use management in informal areas, she found that land use is taking place in a wide variety of ways that are ignoring the official land use schemes and zoning regulations because they do not support a range of activities that are in demand by the people living and working in the area. This means that land use regulations and management try to order what it sees as disorder but in so doing creates obstacles for informal entrepreneurs and potentially jeopardises survivalist strategies. This study points to two different aspects of land use management: firstly, the inappropriateness of regulations governing the areas in question when contrasted with the people living and working in these areas; secondly, the system attempts to maintain a unified and coherent modernist planning paradigm over areas that do not necessarily benefit from such an approach. She concluded that if land use management is to be regarded as an important tool in restructuring our cities, then the way fundamental concepts are regarded should be re-evaluated. The existing planning schemes, zonings and the cadastral system are in many ways exclusive of the needs of low-income households and communities and seem to result in the disempowerment and alienation of those that they intend to include and empower.

On the supply and affordability of land, Zille *et al.* (2008) conducted a qualitative analysis on the dynamics of urban land markets in South Africa. They highlighted the interaction between the planning regime and the operation of the urban land market as a significant factor in the supply of land and the ultimate affordability of space both residential and commercial. They found that restrictive town planning regulations and an inflexible institutional environment limit the supply of land, increases development risk, raises the price of land and therefore impacts on development activity. Thus, delays experienced in zoning Greenfield developments have recently encouraged developers to consider the development of existing Brownfield sites in different locations. They further argue that planning regulations alter land prices, for instance, a decision by public authorities to bring public land to the market may also alter land availability and price of land- as supply increases, so the price will drop.

The literature on government interventions articulates the role of planning as a market stimulant in housing development. Napier and Ntombela (2007) investigated the ways in which the State should intervene around urban land issues in order to improve access of poorer and excluded sectors of the South African society to land, housing and services. They assert that the lack of urban land readily available for development, the complexity of acquiring and correctly zoning land, and the strength of existing urban land interests have meant that state investment in housing has tended to be on the periphery of urban areas. In addressing this issue, they commended the introduction of the urban development zone (UDZ) tax incentive which promotes inner city development within delineated urban development zones. According to Zille *et al.* (2008) the incentive facilitates that inner-city renewal by attracting private sector investment in construction, extensions, additions and refurbishment of buildings in designated urban development zones. The incentive differentiates between new building construction and refurbishment of existing buildings, as such taking the form of an accelerated depreciation allowance, which results in a tax break for the developer. With the Municipalities providing additional measures such as reduced property rates and local user charges, it also commits to the objective of processing all planning approvals within 90 days of approval. With commendable results in Johannesburg and Durban, Zille *et al.* (2008) highlight that urban development zone tax incentive has been highly effective in encouraging the private sector to carry out the government's aim of urban regeneration. If this is the case, then the private sector can be guided by the principle of incentives in assisting the government to achieve its development goals.

Attesting to this idea, Ovens *et al.* in Charlton (2008) noted that the City of Johannesburg made some efforts to positively influence the property market by highlighting development opportunities in strategic areas and offering financial incentives. This happened through land identification, packaging and planning at Gautrain stations, strategic projects managed by the Johannesburg Development Agency as well as tax incentives offered in the urban development zones. Despite the fact that this initiative targeted higher income residents rather than the poor, it is a clear example of how incentives could be used to attract development. If incentives have worked for higher income residents, it can be inferred that if implemented they can stimulate low to middle income housing developments.

Using the northern corridor of Ethekewini as a case study, Todes (2017) explored how strategic planning has influenced growth and development. In contrast to the view that planning is able to direct growth in ways assumed by master planning or that it is entirely ineffective, Todes (2017) showed complex and varying ways in which planning has shaped growth, intersecting with other drivers of development and process of change. She found that planning is

attempting to counter the existing patterns and trends of property investment and development, yet, development has also been shaped by contestation and negotiations between developers, municipalities, state agencies and civic organisations. In some cases, developers have re-oriented, adopting new approaches, some more consistent with municipal planning objectives for spatial transformation. In this way, planning has influenced the broader set of relationships and decision-making processes. Todes (2017) concludes that this study reinforces arguments for expectations of complex, fluid outcomes of strategic planning processes, but also limits the processes and the way power, active agents and contestation shape implementation.

In the context of stark spatial inequalities, uneven institutional capabilities and mounting pressure for change, Todes and Turok (2018) applied spatial rebalancing, space-neutral and space-based approaches to analyse South Africa's five decades of spatial targeting policies in the light of redressing these challenges. They analysed the experience of spatial policies in the apartheid and post-apartheid eras, including area-based initiatives in former black townships and decaying inner cities. By evaluating programmes, literature and interviews with key actors, Todes and Turok (2018) found that post-apartheid spatial policy has shifted from treating land and space as instruments of social engineering, to the current more diffuse, ambivalent position that recognises past injustices but is uncertain what to do about them. Key findings by Todes and Turok (2018) were that:

“South Africa has examples of long-standing spatial policies driven by narrow ideological objectives that generated few enduring benefits, despite offering some of the most generous incentives available in the world. These neglected economic principles and lacked understanding of the underlying problems or empathy for the communities concerned. There are also more recent examples of well-conceived initiatives that were hampered by poor government coordination and vision, resulting in duplication of effort, inconsistency and dissipation of resources. A third group of initiatives have had surprisingly positive outcomes in inauspicious places. This is attributable more to determined implementation than to sound design. Capable organisations with energetic, well-connected leaders were able to mobilise substantial public and private investment”.

They concluded that there are risks of extravagant spending in marginal locations when political pressures are strong, public institutions are weak and economic disciplines are lacking.

3.5 KNOWLEDGE GAPS

Overall, the literature survey revealed that there is no paucity of studies both on international and local level linking the planning system, property markets and housing development. While the study of outcomes in the housing market is a well-researched area, this study identifies a number of gaps relating to explaining outcomes in the affordable housing market in current theoretical literature.

This study notes that most literature examining the effects of regulations on housing provision are centred mainly on mainstream approaches. This is evident on international literature that has adopted mainly neo-classical econometric modelling as compared to institutional analysis. Mainstream approaches are associated with econometric modelling where there is concern for outcomes but does not consider how these outcomes are produced. Some of the assumptions in mainstream approaches are centred around perfect competition and profit maximisation, focusing mainly on the economic factors and the demand side of the development process. Outcomes in the housing market are simply a result of assumptions, estimations and generalisations of the effects of the regulatory framework. However, as argued in institutional approaches the housing market is more complex than what is presented by these models. Mainstream approaches neglect the actors involved in the development process, their roles, behaviour and motives thereby failing to explain how developers react to various variables leading to outcomes in the affordable housing market. While it might require an analysis of each of the assumptions within mainstream approaches to establish their adequacy to analyse the affordable housing market, the crux of the matter is that these assumptions oversimplify the development process, giving partial and inaccurate account behind the actual causes of the outcomes in the housing market. Suffice to say, the actual contribution to policy made by mainstream approaches is yet to be established, let alone its practical application. This contributes to the gaps in the literature on the studies that give an accurate account on the operation of the housing market.

This study notes that while mainstream approaches have experienced higher usage as compared to institutional approaches in international housing studies, in South African literature, there has been limited studies that are informed by rigorous theoretical frameworks let alone the application of institutional analysis. In a study that lacks theoretical backing, it is difficult to ensure that all the critical variables pertaining to the study are investigated. This of course reduces the chances of satisfactorily explaining the cause of outcomes in the housing market. Furthermore, a lack of systematic theoretical basis reduces the applicability of the study to different contexts, impacting negatively on policy development which intends to

influence variables such as location, density, integration and affordability. This study bridges that gap because it is informed by a theoretical framework and employs structure-agency theory as an institutional approach.

This study notes that many studies on the housing market in South Africa commence with the doctrine on the duplication of apartheid spatial patterns in terms of the location, density and integration of the low-income and affordable housing. Because of this, many studies have resorted to restating these outcomes without clarifying or articulating the gauge against which these variables are measured. This led to a lack of empirical data on location, density and integration trends in the housing market, and a lack of clarity on the appropriate indicators to measure these variables. This poses a challenge for developing, assessing and implementing policies in South Africa since generalisations cannot be made against developed countries or countries in the global South. This study seems to be the first to make a practical attempt at articulating the meaning of these outcomes and offer clarity on appropriate measures.

4 CHAPTER FOUR: METHODOLOGY

4.1 INTRODUCTION

This chapter develops a methodological framework for investigating the causal mechanisms that account for the outcomes in the affordable housing market. Section 4.2 discusses the ontological considerations in housing research. It highlights the various approaches to understanding the real world and puts forward the most suitable view for understanding the outcomes in housing markets. Drawing from the previous section, section 4.3 presents the methodological approach adopted for the study. Section 4.4 presents a detailed research design. Section 4.5 presents the concluding remarks.

4.2 ONTOLOGICAL CONSIDERATIONS IN HOUSING RESEARCH

The question of the complex linkages between the development of affordable housing, the planning system and the property markets has attracted a diversity of scholars with various viewpoints ranging from neo-classical to neo-Marxists amongst others. From the discussion in chapter 3, it can be discerned that the planning system has an impact on the supply, densities, location and prices of housing. Several researchers have adopted mainstream neoclassical approaches, institutional approaches or both, either employing qualitative or quantitative analysis. The varying methodologies are influenced by the ontological and epistemological views of the researchers such as positivism, interpretivism and critical realism.

Various theories and approaches offer different levels of understanding to the real world and there is no practical reason to dismiss any of them (Gore & Nicholson, 1991). As Guba and Lincoln (1998) assert, these world views define the nature of the world, the individual's place in it, and the range of possible relationships to that world and its parts for its holder. According to Hesse-Biber (2010), methodologies are derived from a researcher's assumptions about the nature of existence (ontology). These assumptions, in turn, lead to their perspective philosophy or set of philosophies on the nature of knowledge building (epistemology) regarding such fundamental questions as: Who can know? And what can be known?

4.2.1 Positivism

At methodological level, the studies that employed the mainstream approach of econometric modelling are more inclined to the objective ontology and corresponding positivist deductive

epistemological approach. The ontological stance of positivists is that an apprehendable reality is assumed to exist, driven by immutable natural laws and mechanisms (Guba & Lincoln, 1998). This is because in this paradigm, human behaviour is believed to be subjected to the operation of laws of cause and the process of hypothesis testing can be used to develop laws that can predict patterns between concrete events. Its epistemological argument is that the social world exists externally from the researcher and that its properties can be measured directly through observations (Gray, 2004). In this regard, positivists strive to find patterns of observable behaviour towards the development of predictive theories (Lawson, 2003).

Positivism is taken to entail the following principles (Bryman, 2012):

- Only phenomena and hence knowledge confirmed by the senses can genuinely be warranted as knowledge (the principle of *phenomenalism*).
- The purpose of theory is to generate hypotheses that can be tested and that will thereby allow explanations of laws to be assessed (the principle of *deductivism*).
- Knowledge is arrived at through the gathering of facts that provide the basis for laws (the principle of *inductivism*).
- Science must (and presumably can) be conducted in a way that is value free (that is, *objective*).
- There is a clear distinction between scientific statements and normative statements and a belief that the former is the true domain of the scientist. This last principle is implied by the first because the truth or otherwise of normative statements cannot be confirmed by the senses.

Studies that adopted a positivist approach on the relationship between planning and the housing market include those by Cheshire and Sheppard (1989), Bramley (1993) and Bramley and Watkins (1996) who provided quantitative answers on the impact of planning on the housing market. For example, using a time series economic model, Bramley (1993) examined the effects of planning controls over a period of time. Using the model to simulate the effects of the land use changes over time, he provided quantitative answers on the outcomes in the housing market when planning controls are relaxed. World Bank housing researchers such as Brueckner (2006) have modelled the effects of government interventions such as urban growth boundaries, floor area ratio (FAR) restrictions, cost increasing regulations, bureaucratic control of development decisions, and radically based land use interventions, such as apartheid in South Africa, on housing, and they have observed an increase in prices and densities.

According to Lawson (2003), this application of positivism shows the objectivity by positivists, but also their over reliance on empirical data. It is the subject of long-standing debate whether it is appropriate to apply positivism as a natural science approach to the social sciences. The problem statement for this study is grounded in social sciences which discusses the outcomes in the affordable housing market in terms of location, density, affordability and integration. Consequently, positivism as an ontological platform is not appropriate to offer the basis to understand the problem at hand.

Furthermore, there are many reasons why positivism cannot be the answer to social problems as discussed in Lawson (2003:14):

- Many critics have argued that the subject matter of the social sciences is essentially different from the natural sciences. Social life is more complex and involves the behaviour of intelligent human beings. Capable human beings learn their behaviour from their own experience and the culture of their social group.
- A social group is not confined of independent parts, which can be isolated and examined in a vacuum. Society is composed of complex, interacting relationships: far from being isolated entities, human beings adopt socially and materially constructed patterns of behaviour and are influenced by social groups. This behaviour develops unevenly over time and space, and in response to changing historical and cultural circumstances. Therefore, the laws (event regularities) of positivism cannot universally apply: patterns of behaviour can be changed by human action, which is both socially constructed, materially constrained and changes over time and space.
- And related to the above, the naturalist application of positivist approaches to human behaviour is artificial (often excluding explanatory causal conditions) and overly simple: it denies the complex and transformative nature of social life. Regularities or patterns in social behaviour are fundamentally different from universal laws. Humans can think and learn and therefore don't necessarily behave the same way in response to controlled situations. Controlled experimentation, to prove or disprove universal laws, is therefore inappropriate for the study of social phenomena.
- No researcher is completely objective, detached or disinterested in the subject or outcome of his or her own research. Implicit values and prejudice influence what is studied and how it is perceived. Deductive prediction promotes this subjectivity, as it involves the anticipation of defined results. This can influence the design of the experiment and even the behaviour of the subject. Further, the Positivist-Naturalist form of experimental, deductive science is not universally applied to the natural

sciences. It is therefore wrong to assert that social science is only a science, when it adopts the narrow logic and method of positivism.

4.2.2 Interpretivism

The criticism of positivism triggered alternative perspectives to social sciences such as interpretivism. Even though it has not been applied in any known studies on the relations between planning and the housing market, interpretivists provide an anti-naturalist, subject-oriented perspective as opposed to the deductive, predictive, observable, measurable and quantifiable perspective of positivists (Lawson, 2003). The interpretivist paradigm maintains that reality is defined by meanings given by inhabitants thus meanings are defined by social actors (Sayer, 2000). Furthermore, their ontological perspective is that reality is multiple and subjective, and the behaviour of social actors is influenced by the unobservable meanings (*ibid*). According to Myers (1994), the pure hermeneutics on which interpretivism is based accepts outcomes uncritically and does not attempt to understand them within the context of existing social institutions and structures.

Although numerous criticisms are levelled against interpretivists, in relation to the planning system and housing markets it should be noted that there exist complex underlying relationships between various actors operating within a certain structure (rules, resources and ideas) and this cannot be necessarily ignored. Just as with positivism, these criticisms are concerned with the level of consciousness held by actors; the implicitness of the researchers' own critique; the disregard for institutional structures and material resources; the limits placed on causality; unintended consequences of actions; and existence of structures of conflict and social change (Sayer, 2000). It is therefore important to acknowledge the importance of these interactions in bringing certain outcomes in the housing market.

4.2.3 Critical realism

Whilst critical realism and interpretivism converge on the social construction of reality, critical realism only accepts that our knowledge of reality is socially constructed, not the reality itself. Outcomes in terms of density, location, integration and affordability in the affordable housing market can be both observed and measured. Unlike with positivism where inferences can be made to empirical data as leading to the outcomes, critical realists investigate the underlying causal mechanisms. As Sayer (2000) asserts, "*critical realism does not seek to strive for experimental conditions of closure, which ignore to open, contingent laden context of reality, to produce regular outcomes and make law like generalisations; it also rejects strongly socially*

constructed world of multiple realities, which is sceptical of any kind of knowledge claims or scientific progress.” Unlike critical realism which offers a platform to understand causal mechanisms on why certain things happen, positivism advocates for the unity of science which uses the same method to study scientific as well as social problems. Furthermore, contrary to critical realists’ perspective on social sciences, interpretivism accepts the reality as a given, while critical realists believe that reality is structured by underlying causes. In a study where causal relations that led to the outcomes in the affordable housing market are important, it is not useful to rely on the interpretations derived from actors’ perspectives. As Sayer (2000) suggested, this ignores the importance of changing material conditions influencing not only meaning itself, but people’s actions. From the preview on positivism and interpretivism, it can be discerned that the critical realists’ ontological and epistemological views lie in between these two perspectives.

Critical realists believe that knowledge (epistemology) is different from being or existence (ontology). This implies that there is a reality somewhere that exists separate from human thought. As espoused by Bhaskar (1978), natural and social phenomena do not exhaust the category of what really exists in the world. He separates the domains of empirical, the actual and the real. In Bhaskar’s opinion, the three domains are autonomous of each other. The domain of the empirical is made up of human sensory experiences and perceptions, while the actual refers to the events occurring in the world and the real consists of those mechanisms and structures that have causal powers and whose generative capacity creates the order we see in the world (Bhaskar, 1978). The real is not the same as the empirical. The empirical gives an avenue to access the real, but only when the former is guided by theory (Olsen, 2009). According to Warner (1993) for the realist, the goal of science is the theoretical identification of things and their causal powers. They argue for a more structured ontology with overlapping domains of experience, events, and necessary and contingent relations. Causal mechanisms may or may not be observable; they have emergent powers and generate tendencies for certain events to occur (Lawson, 2003).

Easton (2010) asserts that events or outcomes are what critical realists investigate, that is the external and visible behaviours of people, systems and things as they occur, or as they have happened. Thus, in order to understand the social world, it is important to understand the structures that created the events. Sayer (1992) reiterates that, “*to ask for the cause of something is to ask what makes it happen, what produces, generates, creates or determines it, or more loosely, what enables or leads to it*”. Realists argue that structure exists, and realists’ presuppositions tend to support the use of structural variables as either independent or dependent variables in regression (Olsen, 2009). Further, agency and structure are central

to their social ontology. They argue that agency and structure are internally related: one is what it is, and can exist, only in virtue of the other.

From the above discussion, it can be argued that critical realism is the most appropriate underlying philosophical foundation on which structure agency theory can be used. Critical realism acknowledges the existence of structure and structure and agency are central to their ontology. It follows that structure and agency theory is sympathetic to critical realism in that the central principle of critical realists is to investigate events or outcomes that are external and visible behaviours of people, systems and things as they occur or as they have happened (Easton, 2010). Structure-agency theory offers a platform to investigate the resulting patterns of interactions and the outcome of the process. Thus, offering a view to understanding the complex, multifaceted and structured nature of affordable housing.

Critical realists differ from other ontological perspectives in the way they believe research should be undertaken. The ultimate goal of critical realism is to explore the causes of certain events or outcomes. Abduction and retroduction are the most common methodological approaches employed to explore causal relationships. Lawson (2003) defines abduction as the interpretation and reconceptualization of a phenomenon to be explained, using a competitively plausible set of explanatory ideas and concepts to produce a new interpretation. Retroduction is a mode of inference in which events are explained by postulating and identifying mechanisms which are capable of producing them. Lawson (1995) suggests that retroduction involves moving from a conception of some phenomenon of interest to a conception of a different power mechanism that could have generated the given phenomenon. Thereby, pursuing a causal explanation.

According to Sayer (2000), identifying causal mechanisms and how they work, and discovering how they were activated and under what conditions, are processes that generate explanations. The IAD framework presents action situations that enable analysts to isolate the structure affecting a process for the purpose of explaining regularities in human actions and results. Healey (1992) argues that the structure and agency theory is necessary because of the complexity of development processes and the need to avoid missing out on the key links in understanding how and why a particular project took place.

4.3 METHODOLOGICAL APPROACH

4.3.1 Methodology in institutional analysis

There are various methodological approaches that can be used for institutional analysis such as the Comparative Institutional Analysis, the Historical Institutional Analysis (HIA), Historical Comparative Institutional Analysis (Aoki, 1998; Greif, 1998), Institutional Analysis and Development (IAD) framework (McGinnis, 2011; Ostrom, 1999, 2005, 2011), Analytic Narratives (Bates *et al.*, 1998, 2000). However, the relevance of most of the models and institutions is limited because they do not apply to complex and dynamic real-world situations.

As noted earlier, this study embraces Healey's structure-agency theory as the basis of its analysis; however, the complex nature of institutions is not fully elaborated by Healey. Therefore, this study extends its theoretical perspectives to the Institutional Analysis for Development Framework supported by a critical realist perspective. Ostrom (2005) acknowledged the challenges associated with the analysis of institutions and highlighted them as:

- The term institution refers to many different types of entities, including both organizations and the rules used to structure patterns of interaction within and across organizations.
- Although the buildings in which organised entities are located are quite visible, institutions themselves are invisible.
- To develop a coherent approach to studying diverse types of institutional arrangements, including markets, hierarchies, firms, families, voluntary associations, national governments, and international regimes, one needs multiple inputs from diverse disciplines.
- Given the multiple languages used across disciplines, a coherent institutional framework is needed to allow for expression and comparison of diverse theories and models of theories applied to particular puzzles and problem settings.
- Decisions made about rules at any one level are usually made within a structure of rules existing at a different level. Thus, institutional studies need to encompass multiple levels of analysis.
- At any one level of analysis, combinations of rules, attributes of the world, and communities of individuals involved are combined in a configural rather than an additive manner.

According to Nubli and Nugent (1989), another disagreement is on whether institutions can best be understood from a behavioural perspective in which institutions are complexes of norms of behaviour that persist over time, by serving collectively valued purpose or from a rules perspective wherein institutions are the rules of society or organisation that facilitate coordination among people by helping them from expectations which each person can reasonably hold in dealing with others. The difference between these two perspectives would seem to be related to the level and sequence of analysis (*ibid*). Critical realist work is predominantly conducted as intensive research because it is a useful mean to analyse “what makes things happen in specific cases” (Sayer 2000: 20). Sayer (2000) further argues that compared to positivism and interpretivism, critical realism endorses or is compatible with a relatively wide range of research methods, but it implies that the particular choices should depend on the nature of the object of study and one wants to learn about it.

4.3.2 Methodological / analytical approach

The empirical objective of this study is to understand how the structure/ institutions (policy framework, planning system, available resources and ideas) influenced the actions of key role players in producing the current outcomes in the affordable housing market. This study is inclined to the critical realist approach and adopts a comparative case study method for affordable housing developments in the Cape Town Metropolitan area. The study uses both qualitative data and descriptive statistics to answer particular questions within a conceptual framework guided by Healey’s structure agency theory (1992) and Ostrom’s Institutional Analysis and Development (1999). Ostrom (1999) suggests that when individuals interact in repetitive settings, they may be in operational situations that directly affect the world, or they may be making decisions at other levels of analysis that eventually impinge an operational decision- making situations. As such, the policy environment (both planning and housing policy) affects how key role players such as planners and developers conduct their business, make decisions and strategies to meet the developmental goals in the affordable housing market. Furthermore, the interlinkage between housing and planning policies, how concepts identified in housing policy are adopted in planning policies and all this translated into practice is important in analysing how structure affects the decision making of key actors in the development process. Consequently, these decisions impact on the outcomes in terms of density, affordability, location and integration of affordable housing developments.

The housing development process is a complex process which is concerned with identifying structures, which institutions are a subset of and the conditions which govern or facilitate the interactions of actors which in a way produces the outcomes in the affordable housing market.

The study firstly concentrates on the current outcomes in terms of affordability, location, density and integration in the affordable housing market as identified in the conceptual framework. These are viewed in light of the interactions between the key role players (state policy makers, implementers and developers) as they are guided by the planning system, policy framework, resources for housing development and ideological perspectives of role players. The planning system is viewed to have influence on the affordability, location, density and integration of housing developments. However, the policy framework in both the property market and the planning system also influences the outcomes in the affordable housing market. It should be noted that even though most of the interactions between key role players happen at the planning stage of the development, the study is not only limited to that period but until occupation of units by the beneficiaries. This is because the success of a project is determined by the income groups accommodated and diversity in terms of race and typology.

From the preceding discussion, the outcomes of density, integration, location and affordability in the affordable housing market are the dependent variables. The elements of the structure (planning system and policy framework, resources for housing development and ideological perspectives) are the independent variables. Structure enables or constraints the act of agency. The outcomes in the affordable housing market are a function of structure. It follows that interventions targeted at specific variables have an impact on the outcomes in the affordable housing market. For example, a change in rules (planning system) can have enabling or constraining effect on the density, location, affordability or integration of affordable housing.

As indicated, to address the methodological deficiencies of Healey's structure-agency theory, this study elaborates the approach using Ostrom's Institutional Analysis and Development framework and the critical realism ontology. Healey (1992) proposed four steps that can be used to understand the structuring forces within a development process. These are (i) a mapping exercise to describe the development process in operation, (ii) analysis of agencies involved and the outcomes produced (iii) linking the strategies and interests of actors to the resources, rules and ideas and (iv) empirical analysis. The collection of qualitative and quantitative data was guided by these steps.

4.3.3 Case study

This study employs a comparative case study method of five affordable housing developments in the Cape Town Metropolitan area as the main method for empirical data collection. This study is focused on the interactions of key role players in a given structural environment. It

therefore requires a more extensive conceptual and analytical synthesis of data which is offered by a comparative case study method. This in-depth analysis of multiple cases not only offers a comparison between case studies, but the emphasis is on examining the extent to which the planning system, the availability of resources or ideology caused the results, particularly, the location, density, integration of affordable housing.

Given the complexity of the affordable housing market, the scale of affordable housing development, the time and resources required, a case study method was a more appropriate method of collecting empirical data compared to experiments and surveys. Full scale surveys require covering all the affordable housing developments in the City of Cape Town, which was neither feasible nor practical considering the resources and time required. Experimental approaches require some control and manipulation of the structure and behaviour of key actors. While it has been executed in the social sciences, it has not been considered in this context. One of the key strengths for choosing the case study method was its ability to deal with a full variety of evidence (documents, artefacts, interviews and observations) (Yin, 2003). As this study deals with various forms of primary and secondary data; as such a case study will be appropriate. Furthermore, sample selection in the case study approach will not be problematic since the choice is dictated by the availability and willingness of people to cooperate rather than the principles of selection (Moser & Kalton, 1971).

Yin (2003) noted that the essence of a case study is its ability to illuminate a decision or a set of decisions: why they were taken, how they were implemented and with what result. Crucial to this study is the chosen ontology (critical realism), which defines the analytical stance and consequently, the findings produced. According to Lawson (2003), critical realists are openly committed and strive for progress in explanation, which implies the commitment to seek truth that can explain the underlying mechanisms behind the outcomes in the affordable housing market.

The key phenomenon of critical realists is centred on events, outcomes, structure, relationships and causality. A case study method allows for an in-depth understanding of a phenomenon. As stated by Easton (2010), case study research allows the researcher an opportunity to tease out and disentangle a complex set of factors and relationship albeit in one or small numbers. This indicates the compatibleness of critical realism and case study method as well as the flexibility and effectiveness of case study method in investigating complex studies such as housing. These advantages are not shared by alternative methods such as surveys.

However, unlike surveys and experimental approaches, Yin (2003) observes that case study methods provide little basis for generalisation to populations. Yin (2003) argues that through the lenses of a theoretical framework, a case study method becomes generalizable to theoretical propositions not to populations thus expanding and generalising theories (analytic generalisations) not to enumerate frequencies (statistical generalisations) (*ibid*). Therefore, the conceptual framework developed in chapter 2 can be used for the analysis of case study results. Furthermore, this justifies the study of any phenomenon using the case study method, regardless of the quantities of research units involved. The basis of research would be in the process that acknowledges the need for in-depth and objective understanding of why things are what they are and what caused such a situation.

4.4 RESEARCH DESIGN

As discussed, this study employs a comparative case study method of five case studies in the City of Cape Town. It was deemed necessary to focus on one area with a uniform planning system (in this case the Cape Town metropolitan area). The uniform planning system will guide the researcher in understanding how planning in its role of shaping, regulating and stimulating the market influenced the key actors and resulted in the outcomes for a specific affordable housing development. This can also reveal the style of enforcing regulations, the capacity and flexibility/ rigidity in implementation of creative town planning tools. A uniform planning system enabled a clear evaluation on the influence of the policy framework on the key actors. This implies that the effects of independent variables on dependent variables can be easily traced. The case study is not only important in the analysis of the planning system but in how the other variables such as resources and ideas impacted on the agency of actors given the same socio-economic environment.

Case studies of five affordable housing developments were selected within the City of Cape Town. The selection of the case studies was based on the following criteria: firstly, the affordable housing developments were selected from the entire spectrum of affordable housing developments on the market; and constituted developments on privately owned land, state land or a combination of both; secondly, the developers represented a range of ideologies and motivations. These were categorised in terms of whether they are non-profit organisations, profit oriented developers or state entities. Thirdly, the developments constituted different tenure types (ownership or rentals). These included social housing, FLISP housing and mixed developments. Differentiating developments based on land ownership, types of developers and tenure options gives a broad view of the development process as perceived by different developers. This illuminates how varying interests are protected, roles

are specified, strategies negotiated and the allocation of resources by developers with different ideologies and motivations operating in a particular structural environment.

In addition to the case studies, key informant interviews with the state policy makers and policy implementers from the City of Cape Town and the Western Cape Department of Human Settlements, housing activists and housing policy specialists were conducted.

4.4.1 Case studies of affordable housing developments

In each case study, there were three types of respondents, namely: developers, planning consultants and beneficiaries of the housing developments. The selection of a case study led to the selection of the developers and planning consultants. While developers are entrepreneurs responsible for resourcing the project, planning consultants deal with rules and regulations pertaining to the project. The developers and planning consultants were important in giving a holistic view of how the structural environment impact on their activities during the development process.

Semi-structured interviews were conducted with developers and planning consultants. The design was for five developers. The purpose of semi-structured interviews with the developers involved in affordable housing development was:

- To establish how structure in terms of the rules, resources (land, labour and capital), ideas influenced the actions (roles, strategies and interests) of developers in the development of affordable housing;
- To identify the challenges faced by developers in acquiring land and land rights, getting development approvals, dealing with development regulations, accessing funding and labour in the development of affordable housing;
- To identify the strategies used by developers to mitigate the challenges faced; and
- To establish how the developers' ideologies and returns on investment impacted on the decisions made in the development of affordable housing.

Developers in the affordable housing market engage the services of planning consultants to handle the development application process. This involves acquiring planning approvals, managing the development application process and taking up the advisory role towards the developer. Semi-structured interviews with the planning consultants involved in the development of specific affordable housing developments were aimed at gaining insight on the impact of rules and regulations in the development of affordable housing. Four planning

consultants out of an anticipated five were successfully interviewed. The semi-structured interviews were centred on questions intended to:

- Identify how policy imperatives were incorporated in the development application;
- Establish how the developer complied with the planning regulations, the challenges faced and strategies to mitigate these challenges as well as the impact of planning on the development of affordable housing development.

A survey of beneficiaries of the affordable housing developments was conducted by means of a self-administered questionnaire. The beneficiaries were important in analysing affordability in terms of the income levels in relation to the rentals or bond repayments; the location relative to the places of employment or integration in terms of race, tenure and incomes levels. It was anticipated that the set-up of the development either enabled or constrained access to the beneficiaries. For instance, access-controlled developments were easier to access and conduct a survey than in the case of freestanding houses.

In terms of the household survey design, the households were selected physically in the development. A random sample was selected where every 3rd household was selected. If this household wasn't available, the next one would be selected, after which the 3rd household would be selected. 'N' kept changing due to differences in the size of the developments. The criteria ensured that a random adequate sample was drawn. The purpose of the household survey was to ascertain the demographic profile of beneficiaries in terms income levels, tenure options, places of employment, rental or bond repayments.

4.4.2 Semi-structured interviews with key informants

In order to understand the causal mechanisms behind the production of affordable housing that is not integrated, unaffordable and at inappropriate locations and densities, it was planned that semi-structured interviews be conducted with key informants in the public sector and non-governmental organisations after the interviews with the private sector respondents were concluded. The semi-structured interviews with key informants was to address the third and fourth objectives of the study; both attempted to answer the question on how the structural environment impacts on the property market and affordable housing development, in turn producing the outcomes in terms of density, location, affordability and integration of affordable housing development. The aim was to fully explore the relationship between the private sector and the state by probing the structural constraints faced by developers in developing integrated affordable housing at appropriate densities and locations and the support offered by the state. The focus was on the key informants' general understanding of the dynamics in

the affordable housing market based on their experience in implementing a wide spectrum of cases, not only the chosen case studies.

The key informants in the public sector were the policy makers and policy implementers from the City of Cape Town and the Western Cape Department of Human Settlements. Key informants in the City of Cape Town were purposively selected to constitute representatives in land use management, strategic planning, land disposals and human settlements. Respondents were identified from the City of Cape Town's website and a formal request was made to the office of the Mayor of the City of Cape Town to seek permission to conduct such interviews. Upon approval, the mayoral office made recommendations on additional respondents to interview in each section based on our request. Furthermore, respondents from the City of Cape Town's planning district offices were interviewed. These respondents fall in four main departments: Transport and Urban Development Authority (TDA), Urban Integration, Development Management and Property Management (land acquisition and disposals). The TDA incorporates the functions of integrated transport, urban development and elements of human settlements. Its aim is to reverse the spatial effects of apartheid through affordable housing opportunities, integrated transport, transit-oriented development and investment led development. Urban integration is responsible for spatial and integrated planning at metropolitan level. The Department of Development Management is responsible for the regulation of land use and building development, focusing on enforcing permitted use and zoning rights as well as the national building regulations and building standards. The property management department is responsible for land disposals of excess land owned by the municipality and acquisitions of land required by the municipality. The main aim of semi-structured interviews with key informants at the City of Cape Town Metropolitan Municipality was to:

- Establish the perceptions of the municipality in the development of affordable housing that is well located, integrated and at appropriate densities;
- To establish the municipality's role in the development of affordable housing and the resources at its disposal in the development of affordable housing;
- To establish how these resources can be accessed and the challenges faced in making the resources available;
- To establish how regulations relating to parking, height and densities are applied in the development of affordable housing; and if there are special bylaws for dealing with affordable housing;

- To establish the application of planning regulations in the development of affordable housing.

Semi-structured interviews were conducted with three respondents from the Western Cape Department of Human Settlements. The respondents were purposively selected to represent sections focusing on affordable housing and land management. The key informants were identified from the Department of Human Settlements website and requests for interviews were done telephonically and via email. Two respondents were from the land and asset management section and one respondent was from the affordable housing section. The Western Cape Department of Human Settlements is responsible for developing sustainable human settlements through the administration of subsidies, land disposal for human settlements, renting residential property from government and settling disputes between landlords and tenants. The purpose of semi-structured interviews with the provincial Department of Human Settlements was to:

- Establish the perceptions of the province in the development of affordable housing that is well located, integrated and at appropriate densities;
- To establish the province's role in the development of affordable housing and the resources at its disposal in the development of affordable housing;
- To establish how these resources can be accessed and the challenges faced in making the resources available;
- To establish how policy is translated into practice, the measures available to ensure that policy imperatives are translated into practice and the strategies used to develop affordable housing at appropriate densities and locations;
- To establish how the province balances the interests of various role players in the development of affordable housing.

In addition to interviews with key informants from the state, semi-structured interviews were planned with non-profit organisations who are housing activists. The selection criteria for the non-governmental organisations was based on ideologies and motivations of the campaigns. Critical to the ideological perspectives were the organisation's approach in responding to the location, affordability and delivery of affordable housing. The selected non-profit organisation aimed to compel the government to build new affordable housing, regulate land use and the private sector in keeping rentals low and defending the rights and security of tenure of the poor and working. It was planned that a researcher from the organisation was to be interviewed. The respondent was identified from the organisation's website and contacted telephonically, and the interview arranged via email. The purpose of the interview was to gain

insight from an outsider's perspective on the commitment of the state and the private sector in developing integrated affordable housing at higher densities and appropriate locations.

In order to gain understanding of the South African housing landscape in relation to policy and financing structures, semi-structured interviews were planned with housing policy specialists specialising in policy and housing finance. The selection criterion was based on the institution the specialist worked for and their expertise in housing policy and finance. The purpose of the interview was to gain more insight on the evolution and application of housing policy, the role of the state in the functioning of the housing market and funding structures available in the affordable housing space.

4.4.3 Content analysis

In order to address the first objective, it was planned that a detailed and systematic examination of secondary data would be conducted. Content analysis was used in the analysis of secondary data in the form of housing and planning policy and legislation, municipal bylaws, City of Cape Town strategic documents and sector plans. Themes and patterns linking the planning system and housing policy and how changes in housing policy influenced the planning system were planned to be identified and analysed.

4.5 CONCLUSION

The aim of this chapter was to present a methodological approach for the study. In order to achieve that objective, this chapter started off by laying an ontological foundation of the study, followed by a discussion on the methodological approaches in institutional analysis. A platform for investigating the outcomes in the affordable housing market was set through the critical realism ontological platform. Drawing on the previous chapters, this chapter developed a methodological framework and design for investigating outcomes in the affordable housing market.

5 CHAPTER FIVE: HOUSING AND PLANNING POLICY IN SOUTH AFRICA

5.1 INTRODUCTION

This chapter sets out the context of policy, legislative and regulatory framework governing the residential property market in South Africa. The main objectives of this chapter are firstly; to identify the planning and housing policies and how changes in housing policy has influenced the planning system in South Africa thereby addressing the question on how the ideals of planning incentives, densification, integration reflected in housing policies influenced the post-apartheid planning system. Secondly, to clarify the elements of the structural variables (rules) identified in the conceptual framework by looking at the structural environment of the state (planning system and policy framework). This chapter begins with discussing the characteristics of the South African residential property market in section 5.2, followed by a discussion on financing the residential property market in section 5.3. Section 5.4 presents the affordable housing market in South Africa followed by the relationship between housing policy and planning in section 5.5. Section 5.6 discusses the South African planning system. Drawing from the previous sections, the themes and outcomes emerging from the legislative framework are discussed in section 5.7. Section 5.8 sets out the context of planning in affordable housing development, followed by the contextual discussion on the City of Cape Town in section 5.9 and the conclusions in section 5.10.

5.2 THE SOUTH AFRICAN RESIDENTIAL PROPERTY MARKET

South Africa had an estimated population of approximately 57.73 million people in 2018 and slightly over eighty percent (80.1%) of the South African households live in formal dwellings (Statistics South Africa, 2018). This is divided between 55.2% with full ownership status and 24.7% who are renting (Centre for Affordable Housing Finance in Africa, 2018). Furthermore, approximately, 13.6% of these households live in RDP or state-subsidised dwellings. A total of 3.1 million households (19.1% of the population) live in informal or traditional dwellings (Statistics South Africa, 2018).

According to the Centre for Affordable Housing Finance in Africa (2018), the South African residential market forms the largest component of the South African property market, comprising most of the property assets in the country. Approximately fifty- eight percent of the residential property market in 2017 included houses valued at less than R600 000, thirty-five

percent are homes valued at less than R300 000, of which about a third of the total residential property market are estimated to have been fully subsidised by the government (Centre for Affordable Housing Finance in Africa, 2018).

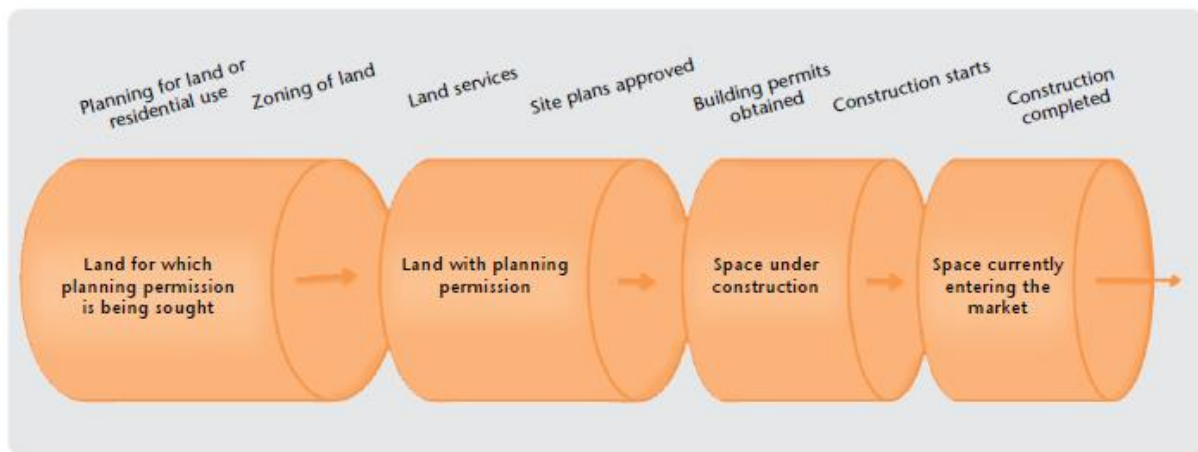
The South African housing sector is characterised by consumers who can afford to pay for their housing needs, those that cannot afford to pay at all and rely on government initiatives and those that cannot afford to fully pay for their housing needs and require government assistance (FFC, 2013). The first group can take an active role in the property market to satisfy their housing needs, the second group waits upon the government to provide decent accommodation while the third group cannot actively participate in the property market because of affordability matters. The dynamics of affordability such as interest rates, disposable income and inflation impact on the demand and supply of property in the property market. The South African residential property market as a segment of the property market is affected by the dynamics in the property market.

Of the housing opportunities provided by the government, over 2.8 million beneficiaries received a state housing subsidy by 2017. According to Centre for Affordable Housing Finance in Africa (2018), the housing backlog was estimated between 2.3 million and 3.7 million units about 135 983 housing opportunities (top structures and serviced sites) were delivered country-wide in 2017. The Department of Human Settlements provides opportunities for both rental and ownership options. The Department of Human Settlements estimated the demand for rental accommodation in the form of social housing units at 318 000 units country-wide. A total of 3 535 units were delivered during the 2017/2018, against a target of 7 915. Similarly, 546 community residential units were delivered compared to the targeted 1915 and 26 469 individual subsidy units (BNG houses) were provided compared to 86131 targeted in the 2017/2018 period (Department of Human Settlements, 2018). This performance was attributed to the poor performance by provinces. The Department of Human Settlements targeted to disburse 5000 Finance Linked Individual Programme (FLISP) to approved beneficiaries but 2 295 were allocated. The Department of Human Settlements attributed this performance to the availability of affordable stock and affordability of people earning less than R15 000 per month (Department of Human Settlements, 2018).

The residential property market is concerned with the persistence of apartheid spatial patterns especially in the government subsidised segment. According to the Department of Human Settlements, the State intervenes through the expropriation of suitable land parcels from private owners and corporations for development. In the 2017/2018 period the State acquired and released 3329,446 hectares of well-located land for development against a target of 3000

hectares (Department of Human Settlements, 2018). Similarly, 1574, 6851 hectares of well-located was rezoned for new developments against a target of 3 000 hectares. While the state met the targets of acquiring and releasing land, it fell short on producing rezoned land. While rezoning can only be implemented when land agreements are concluded, Zille *et al.* (2008) suggested that the new supply in the property market takes place through what is often referred to as the 'supply pipeline'. Furthermore, the pipeline is constructed to reflect the space that will come onto the market over time. As depicted in Figure 5.1 below, at the end of the pipeline is space that is currently entering the market, at the beginning is land that requires planning permission, followed by land with planning permission and then space under construction.

Figure 5.1: The supply pipeline



Source: Tshangana *et al.*, 2011

5.3 FINANCING THE RESIDENTIAL PROPERTY MARKET

According to the FFC (2013), housing in South Africa is funded through household savings, State funding and private funding. Private funding caters for the end-user finance to households and project finance for developers while State funding comprises of municipal finance for infrastructure and subsidies/ incentives to selected individuals (FFC, 2013). Private funding is usually provided by the financial institutions in the form of mortgages.

South Africa has a well-developed mortgage market, with the ratio of mortgage debt outstanding to GDP currently at 28.8 percent (2017), down from a high of 40.09 percent in 2008 (Centre for Affordable Housing Finance in Africa, 2018). However, access to mortgage financing depends on interest rates and credit-worthiness. According to the FFC (2013), mortgage finance is granted predominantly to households earning more than R15, 000 per

month, which accounts for just over 80 percent of private housing finance, with the remainder going to those earning between R7, 500 and R15, 000 a month. According to the Centre for Affordable Housing Finance in Africa (2016), the majority of mortgages are extended to high income earners, with 10 074 of the 164 431 mortgages granted in 2015 directed at the affordable housing market earning less than R20,000 per month. The prevailing view is that access to mortgage finance is particularly limited to the lower-middle class and households that fall between those who can fully access mortgages and those that qualify for state subsidies are inadequately catered for. The FFC (2013) attributes to either the reluctance of banks to fund the affordable housing market or insufficient supply/stock for affordable homes.

It is clear that the South African banking system made little impact in the lower to middle income segment of the population. This realisation was made pre-1994 and according to UN-Habitat (2008), a record of understanding was made between the government and the Association of Mortgage Lenders where the government pledged to normalise the low-income housing market and the financial institutions formally agreed to re-enter the market. A number of financial institutions were established such as the National Housing Finance Corporation, National Urban Reconstruction and Housing Agency, Rural Housing Loan Fund and SERVCON.

The National Housing Finance Corporation (NHFC) was formed in 1996 by the government to be the key wholesale lender to the housing finance sector. According to UN-Habitat (2008), the role of the wholesale lender was to provide funding to intermediaries, also known as retail finance institutions who in turn lend to end-users. The NHFC aims at encouraging increased and sustained involvement of formal financial institutions in the low-income housing market through risk sharing ventures with these institutions (Moss, n.d). Furthermore, the NHFC supports the growth of the emerging alternative lending sector by providing credit in markets where the formal banking sector is not yet engaged since these emerging alternative lenders lack adequate capacity and sustainable access to funding (Moss, n d).

The National Urban Reconstruction and Housing Agency (NURCHA) was established as a guarantor of end-user loans and building loans (Rust, 2006). NURCHA initiates programmes and takes considered risks to ensure a sustainable flow of finance for the construction of low-income and affordable housing, community facilities and infrastructure (www.nurcha.co.za). Its development principles are to extend the housing market, maximise options for the construction and financing of housing and related facilities and infrastructure, promote synergy and cooperation between public and private sectors, and use NURCHA loans to contribute to the emergence of a new generation of successful, black-owned construction companies.

The Rural Housing Loan Fund (RHLF) was established by the national Department of Human settlements with a donation from the German Development Bank KfW to support the emergence of housing lenders who operate in non-metropolitan and peri-urban areas (Rust, 2006). Its main aim is to raise money and lend it, and to enable retail institutions to provide loans to low-income earners to finance housing in rural areas (UN-Habitat, 2008). The RHLF offers structured loans as the primary product and are structured to match the intermediary's underlying product.

SERVCON housing solutions was established as a joint venture between the department of Human Settlements and the Council of South African Banks. SERVCON housing solutions was established to take over the banks' non-performing books in the low-income market and deal with the historical problems, particularly that of non-payment (Rust, 2006). According to UN-Habitat (2008), SERVCON's mission is to normalise the lending process by managing non-performing loans and properties in possession in areas where the normal legal process has broken down, in terms of the normalisation programme agreed to by the Department and the Council of South African Banks.

According to Khan & Thurman (2001), the current housing policy in South Africa is the outcome of negotiations within the National Housing Forum that took place between 1992 and 1994. The Constitution of South Africa enshrines everyone's right of access to adequate housing and since 1994, the South African government has developed and reviewed legislation and policies in an attempt to give effect to the progressive realisation of this right. The state's obligation, therefore, on the provision of access to adequate housing depends on context, and may differ from province to province, from city to city, from rural to urban areas and from person to person (FFC, 2012). Since 1994 to date, there have been several developments within the housing policy environment and legislative framework in South Africa. FFC (2012) grouped these periods according to major policy shifts. There are therefore three major policy episodes:

Period one—This period is from 1992 to 2003. It is characterised by the introduction of housing subsidy focusing on coverage with a White Paper on Housing being the principal overarching housing policy. According to FFC (2012), the key issues in this period were the formulation of the housing subsidy, the implementation of the housing programme in 1995, the delivery of subsidised housing through private sector developers and the termination of the use of conveyancers to pay out subsidies. The National Home Builders Registration Council (Pty) Ltd was established to promote the common interests of persons occupied in the profession of home building, through the regulation of the home building industry (FFC, 2012). The

Constitution of the Republic of South Africa and the Housing Act (Act no. 107 of 1997) were also finalised during this period. According to Gordon *et al.* (2011), one of the key features during this period was that the housing development projects were developer driven as developers used to identify the beneficiaries themselves. This ended towards the end of the period as beneficiaries were allocated to the project from a waiting list managed by Provinces and municipalities. In this period, the state started to change the focus of housing delivery from private-sector driven to public-sector driven.

Period two –This period is from 2004 to 2008. It represents a shift in the approach in which subsidised housing were delivered as guided by the BNG in 2004. The BNG was built on principles of the White Paper on Housing but supplemented existing mechanisms and instruments to ensure more responsive, flexible and effective delivery. It also sought to place increased emphasis on the process of housing delivery, i.e. the planning, engagement and the long-term sustainability of the housing environment (Tissington, 2011). Other developments during this period included the finance-linked individual subsidy programme (FLISP) implemented in 2005 and the introduction of social housing policy in 2005. FLISP was designed to provide support to households in their deposit obligations for mortgage finance reducing the capital amount being borrowed and the interest charges associated with it. The social housing policy was introduced to fill policy vacuum and address challenges in the social housing sector. A Rental Housing Amendment Act, 2007 (Act 43 of 2007) was approved by the cabinet during this period and seeks to amend the Rental Housing Act, 1999 to further provide for rulings by rental tribunals. In 2008, the National Upgrading Support Programme (NUSP) commenced as a joint project of the National Department of Human Settlements and the Cities Alliance. The process of the NUSP involved an assessment of 16 pilot projects on informal settlement upgrading.

The key highlights of this period are that the BNG completed the process of moving from developer driven delivery to municipal delivery. According to Gordon (2011), the previous housing programme granted private developers a leading role in the delivery of housing within a supply-driven framework. The new housing plan shifted away from a supply-driven framework towards a more demand-driven process. The BNG accordingly places a substantially increased emphasis on the role of the State in determining the location and nature of housing as part of a plan to link the demand for and supply of housing. This approach envisaged that municipalities would assume a greater responsibility for housing programmes in their areas of jurisdiction (Gordon, 2011). Prior to 2004, there was very little intent on the part of the Department of Human Settlements (at various levels of government), to improve

the functioning of the gap market, or indeed to make housing more affordable outside the subsidy target population. Even though this policy intention was adopted earlier (in 2004 in the BNG and 2005 when FLISP was formed), it took a number of years for it to have any effect. This is the period when the state came to a realisation that what it was doing providing housing for lower end of the market was not its only mandate. The Minister of Human Settlements acknowledged this in her speech saying: “*we have graduated ourselves out of being Minister of low-cost housing to taking on the responsibility of the entire residential property market*”. This is indicated the shifting role of the state by realising that it is the whole housing sector with which the state must concern itself if it is to address the needs of the housing poor.

Period three –This period is from 2009 to date. The upgrading of informal settlements, efficient land use and the introduction of new financing mechanisms for the gap market remain some of the focus housing delivery areas (FFC, 2012). According to Tissington (2011), the other key housing policy development under this period includes the publishing of a Revised Housing Code in 2009. Outcome 8 was introduced in this period and commits the National Department of Human Settlements to upgrade 400,000 households living in informal settlements over the next four years from 2010. The housing gap market was acknowledged during this period. As a result, a new housing guarantee scheme as a new development within the human settlements was announced by the President in February 2012 to be implemented through the National Housing Finance Corporation (NHFC) (National Implementing Agent for the subsidy) as from April 2012 (FFC, 2012).

While these periods are not discussed in detail, the housing policy, programmes and some subsidy structures or financial interventions that emanated from these periods are discussed in the following sections.

- *Integrated residential development programme*-The IRDP was initiated in 2006 to give effect to the objectives of the Comprehensive Plan for the Development of Sustainable Human Settlements (FFC, 2012). The IRDP was introduced in the National Housing Code in 2009 to replace the Project Linked Subsidy Programme. According to the Department of Human Settlements (n.d), the purpose of the IRDP is to facilitate the development of integrated human settlements in well located areas that provide convenient access to urban amenities, including places of employment. The programme also aims at creating social cohesion. The IRDP provides for the acquisition of land, servicing of stands for a variety of land uses including commercial, recreational, schools and clinics, as well as residential stands for both low, middle- and high-income groups.

- *The upgrading of informal settlements programme*-The aim of the upgrading informal settlements programme is to facilitate the upgrading of informal settlements. The programme facilitates the structured upgrading of informal settlements. It applies to in situ upgrading of informal settlements as well as where communities are to be relocated for a variety of reasons. It entails extensive community consultation and participation, emergency basic services provision, permanent services provision and security of tenure.
- *Institutional housing subsidies* provide capital grants to registered housing institutions which construct and manage affordable rental units outside of the restructuring zones. It flows from the national department of human settlements to the provincial departments of human settlements as one part of the human settlements' development grant. The programme also provides for the sale of units by the social housing institution after at least four years have lapsed.
- *Community residential units programme* facilitates the provision of secure, stable rental tenure for lower income persons/households through the upgrading of government owned communal rental accommodation known as hostels. The housing stock funded by the CRU programme cannot be transferred to beneficiaries and remains in public ownership.
- *Individual subsidy programme* provide access to state assistance where qualifying households wish to acquire an existing house, serviced stand linked to a house construction contract through an approved mortgage loan. The programme provides funding for the credit-linked subsidies and the non-credit linked subsidies. Credit linked subsidies are applicable to applicants who can afford a mortgage loan finance, and the subsidy would be linked to credit from a financial institution. In cases of a non-credit linked subsidy, the beneficiary who cannot afford a mortgage loan finance may apply for a subsidy to acquire an existing house entirely out of the subsidy and may supplement with any other funds available to them.
- *Rural housing subsidy* is available to beneficiaries for housing development on communal land registered in the name of the state or governed by traditional authorities. The subsidies are available on a project basis and beneficiaries are assisted by implementing agents. However, funding for this programme is available within a context of an approved housing development project and may not be accessed on an individual basis. The housing subsidy may be utilised for the development of internal municipal services where no alternative funds are available, house building, upgrading of existing services where no alternative funding is available, and the upgrading of existing housing structures or any combination thereof.

- *Consolidation subsidy programme* is available to beneficiaries who received serviced sites in terms of the state housing schemes instituted pre-1994. The subsidy may be utilised to complete, construct or upgrade top structure to the level required by the National norms and standards. This subsidy provides for the completion of houses on serviced sites. The subsidy quantum is R54, 650 and the programme provides for individual subsidies as well as project-based schemes.

The *Human Settlements Development Grant* (HSDG) is one of the main grants provided by the national department of human settlements. According to the Department of Human Settlements (2018), the HSDG has many objectives including the financing of individual housing subsidies (full and partial), enhanced extended discount benefit scheme, social and economic facilities and rectification of pre- and post-1994 housing. It aims to provide funding for the creation of sustainable and integrated human settlements Outcome 8 statements. Provinces must ensure that all projects in the approved business plan must be aligned with the Integrated Development Plan (IDP) and the spatial development framework of municipalities as well as the Built Environment Performance Plan (BEPP) for metropolitan municipalities. Where municipalities have been accredited for the housing function, the provincial business plans must reflect relevant allocations, targets and outputs as agreed and approved with the respective municipalities (Department of Human Settlements, 2018).

The *Urban Settlements Development Grant* (USDG) is administered by the national Department of Human Settlements to accredited metros and municipalities. According to the Department of Human Settlements (2018), the grant funds allows for the provision of basic municipal services to new housing projects and will allow municipalities to plan and budget for both services and the construction of housing as they attain authorisation for the human settlements function. Furthermore, the grant supplements the capital revenues of metros municipalities in order to support the national human settlements development programme, focusing on poor households. Upgrading of informal settlements programmes may qualify for this grant.

5.4 THE AFFORDABLE HOUSING MARKET IN SOUTH AFRICA

5.4.1 Defining affordable housing

In the South African context, affordability of housing is defined in terms of both income levels and value of the house. The affordable housing market was categorised by the R3, 500 to R15, 000 income band by the South African government in 2012 (Centre for Affordable Housing Finance in Africa, 2012). These are the people who earn more to be eligible for a fully subsidised house and less to be eligible for a bond. While those who earn a salary of R3,500 and below made one eligible for subsidised 'RDP' housing, those earning R3,501 and above were assumed to be active participants in the property market. As this was not the case, the term 'Gap Market' was coined to refer to those who earn too much to qualify for RDP subsidy and could not afford mortgage bonds from financial institutions. Basically, it is all those who cannot easily access affordable housing.

The value of the properties in the affordable housing market are valued at less than R500, 000 and are between 40m² and 80m². These include houses in former African, Coloured and Indian townships, government subsidised housing and new housing developed by the private sector (Tissington, 2011). According to Rust (2010), the gap market is an important, emerging sector in the South African residential property market. It is the largest market with most people and most properties. However, according to the Centre for Affordable Housing and Finance in Africa (2009), over 400 000 (12%) of people earning between R 3,500 and R 16,500 were living in inadequate housing. About 500 000 (16%) of them were living in overcrowded spaces and approximately 350 000 (11%) were living in informal settlements. This implies that there is a slow pace and scale in the delivery of affordable housing to meet the demand.

According to Tissington (2011), the affordable housing market is still characterised by non-availability and high cost of housing units. FFC (2013) concur that the key challenges in the supply side of the affordable housing market include insufficient delivery to scale and lack of sustainability, an increase in the gap market, the lack of well-located land attributed to the lack of assembling of public land for affordable housing by local authorities and bulk infrastructure and housing delivery inefficiencies. Findings from an analysis prepared for one of South Africa`s largest affordable housing investment funds suggests that it took almost double the time allowed for in regulations for a housing project to proceed from inception to bond application. The township application process, including township application, survey and approval of the general plan, conclusion of services agreement and council consideration took 157 months, thus 69 months longer than the 88 months set out in guideline documents (Centre

for Affordable Housing Finance in Africa, 2015). As this cannot be generalised for all developments, the essence of the matter is that it takes longer for a housing project to pass through inception to completion, thus increasing the cost of delivery, reducing the profit margins of developers and reducing the affordability of the houses thus shrinking the pool/scale of affordable housing. According to the Banking Association of South Africa (2011) the high cost of labour and building materials are also contributing factors to the lack of housing delivery in the affordable housing market. The effects of institutional delays are summed up below:

'In a development of 2 259 units, a 24-month delay increased development costs by 175%, which translated into an increase of 124% on the selling price from what was originally budgeted for the development. The interest cost per unit increased by 160% and the internal rate of return for the development (a critical factor for the availability of funding for future lending) declined by 70%. The increased costs contributed towards an increase in the selling price of the unit (and thereby declining affordability) and reduced the capacity of the funds available to deliver more units, undermining the scale of delivery, and putting additional upward pressure on prices' (Centre for Affordable Housing Finance in Africa, 2015).

On the demand side, affordability is the key challenge in the delivery of affordable housing. Affordability is mainly determined by household income, household's existing credit obligations and availability of finance (Centre for Affordable Housing Finance in Africa, 2015). Affordability is defined as the relationship between costs of housing (a mortgage bond payment or rent) and the income of the tenant or owner. Affordable housing can be rented or purchased within certain constraints. The challenge faced by borrowers is the inability to access mortgage finance mainly due to indebtedness.

Overall, as the government was supplying housing to the poorest, it came to realise rather later that there was a gap in the market and the low-cost housing should not be its only focus. As the challenges in the gap market became evident, a wider approach was adopted (in the breaking new ground statement) where the national department (changing from housing to human settlements) then saw one of its key roles as taking a wider responsibility over the functioning of the whole residential market. In addition to the interventions described above, the government implemented programmes and interventions to assist in the supply and delivery of affordable housing. Some of the programmes are discussed below.

5.4.2 Affordable housing programmes

5.4.2.1 Finance Linked Individual Subsidy Programme

According to Tomlinson and Jeffrey (2015), the Finance Linked Individual Subsidy Programme (FLISP) was developed by the Department of Human Settlements in 2005 to help prospective home buyers who earn between R3, 501 and R15, 000 per month to buy a house at the price of R370 000 or less. In September 2011, the Department of Human Settlement revised the implementation strategy of FLISP from its original 2005 form and tasked it to be implemented through the National Housing Finance Corporation (NHFC) (National Implementing Agent for the subsidy) as from April 2012. FLISP programme is an instrument that assists qualifying households by providing a once-off down payment to those households who have secured mortgage finance to acquire a residential property for the first time. The Fin Mark Trust (2012) argues that, this income band was to be able to access affordable housing costing between R170, 000 and R377, 000. However, according to the Centre for Affordable Housing and Finance (2015), the cheapest newly built house in South Africa in 2015 cost about R370, 000, only affordable to the top of the FLISP target market even with the subsidy. Administered through the National Housing Finance Corporation, FLISP provides a once off subsidy that can be used to buy a new or old residential property, to buy a vacant serviced residential-stand linked to an NHBRC registered homebuilder contract; or to build property on a self-owned serviced residential stand, through an NHBRC registered homebuilder. FLISP subsidies allow qualifying beneficiaries to make up shortfalls between mortgage bonds they can raise and the prices of the properties they want to buy and can also be used to reduce mortgage loans thus bringing down monthly interest payments (Tomlinson & Jeffery, 2015).

5.4.2.2 The Social Housing Programme

The social housing programme is set out in three key documents namely: the social housing policy (2005), the housing code (2007) revised in (2009) and the Social Housing Act (2008). These documents together outline the key principles and components of the social housing programme. According to the Social Housing Policy of 2005, the government made a commitment to the regeneration of inner cities of South Africa and its intention to broaden the current housing assistance programme to accommodate higher density development and address increasing demand for rental housing in urban areas. Social housing is not aimed at the poorest of the poor, but at those who can pay for housing, but whose purchasing power is limited, making rental a necessary as well as desirable option. According to Western Cape Department of Human Settlements (2005), the Social Housing Regulatory Authority facilitates

the delivery affordable rental housing for low to moderate income groups and to achieve spatial, economic and social integration of the urban environments in South Africa.

The Social Housing Programme is applicable to Urban Restructuring Zones (URZ) which are identified by municipalities as areas of economic opportunity and where urban renewal/restructuring impacts can best be achieved (Umhlaba Group, 2013). Further, the programme also aims at developing affordable rental in areas where bulk infrastructure (sanitation, water, transport) may be under-utilised, therefore improving urban efficiency. As such, it should meet the objectives of good location, integration and viability. The introduction of social housing's URZ led to government intervention through economic and fiscal incentives such as the renewal tax incentive aimed at accentuating inner city renewal in designated Urban Development Zones.

5.5 THE RELATIONSHIP BETWEEN HOUSING POLICY AND PLANNING

The South African housing system operates within a legislative framework. According to FFC (2013), the South African government is constitutionally mandated to ensure that everyone has access to adequate housing (Section 26 of the constitution) and the state has an obligation to make reasonable legislative and other measures to achieve the progressive realisation of the right to housing. Progressive realisation is defined as the act of dismantling a range of legal, administrative, operational and financial obstacles that block access to socio-economic rights (Tissington, 2010). As such, the South African government has put in place housing policies and programs to meet its constitutional obligation and address the housing needs. This section discusses three main housing policies that shaped and are directly related to affordable housing and the policies and programmes that constituted the period from 1994 to 2015.

5.5.1 The White Paper on Housing (1994)

The promulgation of the White Paper on housing in 1994 set the pace for all the housing policies, legislation and programs that followed. According to Jenkins (1999), the White Paper on Housing of 1994 prioritised the needs of the poor, encouraged community participation and the involvement of the private sector to deliver 1 million houses in 5 years. While it incorporated the principles of spatial planning concepts such as compact cities, densification and unification of the urban fabric as highlighted in Restructuring Development Programme (RDP), the White paper focussed on issues of budgets, subsidies and other institutional arrangements as well as the land and planning issues as they impacted on the delivery of housing. Overall, its main

aim was to mobilise and harness the combined efforts and initiatives of communities, the private sector and the state in addressing the housing challenge.

According to the policy, the challenges were also associated with land and planning issues. The policy further acknowledged the dysfunctional human settlements that were inherited from the apartheid era. Furthermore, these dysfunctional patterns led to issues such as high rates of urbanisation, inefficient and inequitable cities marred with urban sprawl and dispersed rural settlement structures hampering service delivery and accessibility. Besides the poor settlement structures, there was a lack of a housing strategy defining the roles and responsibilities of all role players. Furthermore, there were too many isolated pieces of legislation and policies governing housing, land and services leading to duplications and contradictions. According to the Department of Human Settlements (1994), one of the goals of the policy was to replace the land-use and spatial planning system with a new approach and legislation. The State wanted policies that acknowledged the scarcity of land in the country, promoted higher densities and encouraged planning techniques that enabled social cohesion and had an impact on costs and efficient resource utilisation (water and energy). A lack of coherent policy on land, land identification, constraints to land assembly and land planning were identified as major hindrances for a speedy release of land and timeous housing delivery.

According to the Department of Human Settlements (1994), the principles of effective and integrated development advocate for efficient and integrated development that:

- Promote integration with respect to social, economic, physical and institutional aspects of development;
- Promote the integrated and balanced development of rural and urban areas in support of each other;
- Promote the location of residential and employment opportunities in close proximity to or integrated with each other;
- Optimise the use of existing physical and social infrastructure;
- Provide for a diverse range of land uses at all levels (local and regional);
- Discourage urban sprawl;
- Contribute to the development of more compact settlements, towns and cities;
- Contribute to the correction of the historically distorted racial and spatial pattern of South African towns, cities and rural areas; and
- Facilitate and encourage environmentally sustainable development.

5.5.2 Breaking New Ground Policy (2004)

The National Department of Human Settlements reviewed its housing programme after recognising the weaknesses in its existing policies and programmes. Despite all the well-intended measures, the inequalities and inefficiencies of the apartheid space economy had lingered on. This led to the shift from developer to municipal oriented development through the birth of the Breaking New Ground Policy of 2004 (BNG). According to Tissington (2011), the policy substantially increased emphasis on the role of the state in determining the location and nature of housing as part of a plan to link the demand for and supply of housing. It also envisaged that municipalities would assume a greater responsibility for housing programmes in their areas of jurisdiction given clear guidelines and resources will be forthcoming from the national sphere. The move to a stronger and defined role of local authorities could be attributed to the call for aligning the housing processes with spatial and integrated development planning.

Charlton and Kihato (2006) cited in Tissington (2011) highlighted the reaction to the negative perceptions of the withdrawal of private sector actors from low-income housing delivery due to tightening environmental regulations; delays in township registration and transfer of title deeds; and increasing financial risk as some of the factors that led to the government centred approach to housing delivery. In this regard, municipalities needed accreditation to prove their capacity to plan, implement and maintain projects and programmes that are aligned with IDPs and the housing chapter amongst other requirements. The housing chapter of Municipal Integrated Development Plans need to be considerably enhanced to include municipal housing needs assessment, the identification, surveying and prioritisation of informal settlements, the identification of well-located land for housing, the identification of areas for densification, the linkages between housing and urban renewal and the integration of housing, planning and transportation frameworks, and will link these to a multi-year implementation plan.

Based on the principles of the White Paper on Housing (1994), BNG was not introducing a new policy direction but merely emphasizing and outlining a comprehensive plan for the development of sustainable human settlements (Charlton & Kihato, 2006). Its aim was to 'redirect and enhance existing mechanisms to move towards a more responsive and effective delivery' that 'promotes a non-racial, integrated society through the development of sustainable human settlements and quality housing' (Department of Human Settlements, 2004). It acknowledges the need to extend the housing subsidy mechanism to facilitate the

availability and accessibility of affordable housing instruments to middle income groups; thus, households earning R3, 500 to R7, 000 per month. This was later revised to encompass all those in this income group depending on affordability.

BNG is aligned to the National Spatial Development Perspective in its contribution to spatial restructuring. According to the Policy Coordination and Advisory Service (2006), the National Spatial Development Perspective is a set of national spatial guidelines that establishes an overarching mechanism which enables a shared understanding of national space, provide principle-based approach to coordinate and guide policy implementation across government and provides an interpretation of the spatial realities and the implications of government interventions. The BNG policy acknowledges the need for alignment and coordination of various planning instruments and economic policies in delivering sustainable human settlements; thus, enhancing spatial planning. According to the Department of Human Settlements (2004), the key elements of BNG include:

- Pursuing a more compact urban form through the introduction of fiscal incentives to promote the densification of targeted human settlements while introducing disincentives to sprawl,
- Facilitating higher densities by investigating aspects of promoting densification such as planning guidelines, property taxation, zoning, subdivision, land swaps and consolidation as well as drafting a densification policy which are strategic and policy documents drafted by the three spheres of government to promote densification.
- Mixed land use development through the introduction of residential development permits. Widely used internationally, these permits facilitate income integration by obligating developers either to set aside units within residential developments for lower income groups or developing lower income residential development in adjacent areas. Furthermore, social housing developments would be encouraged through municipal redevelopment projects and urban development zone taxes;
- Integrating land use and public transport planning, so as to ensure more diverse and responsive environments whilst reducing travelling distances;
- Supporting urban renewal and inner-city regeneration by promoting affordable inner-city housing such as social housing through the use of incentives and subsidies, and;
- Enhancing the location of new housing projects by accessing well- located state owned and parastatal land, acquisition of well-located private land for housing development by providing funding for land acquisitions and incentives to support the development of well-located land.

5.5.3 Inclusionary Housing Policy (2007)

In 2005, an important partnership was forged between the government and the private sector to accelerate housing delivery in order to address the housing backlog by signing A Social Contract for Rapid Housing Delivery. The contract basically stated that, “*every commercial development including housing developments that are not directed at those earning R1, 500 or less, spend a minimum of 20% of project value on the construction of affordable housing (targeting households earning between R1, 500 and R8, 000)*”. This led to the 2007 Framework for Inclusionary Housing Policy (IHP) which aimed to achieve a “more balanced outcome of the built environment creation in the direction of a more racially integrated and income inclusive residential environment”. According to the Department of Human Settlements (2007), the key objectives of the IHP are:

- To make a contribution towards achieving a better balance of race and class in new residential developments;
- To provide accommodation opportunities for low income and lower middle-income households in areas from which they might otherwise be excluded because of the dynamics of the land market;
- To boost the supply of affordable housing (both for purchase and rental);
- To mobilize private sector delivery capacity to provide affordable housing;
- To leverage new housing opportunities of existing stock at the same time contributing to the densification of South African cities;
- To make better use of existing sustainable human settlements infrastructure.

According to the Department of Human Settlements (2007), the Inclusionary Housing Policy provides the approach to be followed and all spheres of government have distinct roles and responsibilities. The policy further allocates roles to the three spheres of government. Firstly, the national government articulates desired outcomes, set direction, provide certain incentives and specify certain key parameters which are aimed at ensuring that whilst inclusionary housing requirements of necessity will vary, a similar logic is followed uniformly across the country and that certain key parameters and guidelines are observed. Furthermore, the national government requires (via legislation) local governments to draw up inclusionary housing plans. Secondly, the provinces can choose to further develop policy on provincial level but within the government parameters. Finally, local governments can be largely responsible for the implementation of inclusionary housing plans, but provincial and national government can also contribute to delivery.

According to the Department of Human Settlements (2007), the objectives of the IHP can be achieved through the implementation of two distinct but complementary components strategies namely the Town Planning Component (TPC) and the Voluntary Pro-Active Deal Driven (VPADD). According to the Department of Human Settlements (2007), the Voluntary Pro-Active Deal-Driven is project driven and willing partners find each other and strike a mutually beneficial agreement in the delivery of socio-economically inclusive housing. When preparing inclusionary housing plans, the local authorities are mandated with a role to identify projects that they wish to actively pursue with private sector partners. Local governments are further required to bring local government-owned land to the process as well as guarantees of quick development application processing times. In return, they require the provision of a substantial proportion of the units as affordable stock from the private sector.

According to the Department of Human Settlements (2007), the key instruments in the application of Town Planning Compliant are those relating to the overall land use and development control processes. Township establishment procedures, zoning, rezoning and subdivision and development approvals are made contingent to meeting certain inclusionary housing requirements in return for incentives such as density bonuses, allowance for multi-storey units, some commercial rights and public investment in bulk and connector infrastructure. Furthermore, inclusionary housing intentions should be incorporated into strategic documents such as IDPs and Spatial Development Frameworks. The Town Planning Compliant Component is driven and implemented by local authorities.

Below are the policies and legislation that shaped the housing market post-1994.

5.5.4 Social Housing Act, 2008 (Act 16 of 2008)

The Social Housing Act was passed with the aim to provide an enabling legislation for the Social Housing Policy (Tissington, 2011). According to the Department of Human Settlements (2008), the act aims to establish and promote a sustainable social housing environment, defines the functions of the national, provincial and local spheres of government in respect of social housing; provides for the establishment of the Social Housing Regulatory Authority (SHRA) to regulate all social housing institutions obtaining or having obtained public funds, and it allows for the undertaking of approved projects by other delivery agents with the benefit of public money and gives statutory recognition to social housing institutions. The National Rental Housing Strategy was approved in 2008, setting the delivery of 100 000 rental

housing units (75 000 social housing and 25 000 community residential units) by 2012 (FFC, 2012).

5.5.5 Housing Act of 1997 (Act 107 of 1997)

According to Tissington (2011), the Housing Act legally entrenched policy principles outlined in the White Paper on Housing of 1994. The mandate of the Housing Act is to provide a sustainable housing development process, laying down general principles applicable to housing development in all spheres of government; it defines the functions of national, provincial and local government in respect to housing development; and lays down the basis for the financing of national housing programmes (Department of Human Settlements, 1997).

5.5.6 Rental Housing Act, 1999 (Act 50 of 1999)

The Rental Housing Act is a piece of national legislation that regulates the relationship between landlords and tenants in all types of rental housing (Tissington, 2011). The act further stipulates that the government is responsible for promoting a stable and growing market that progressively meets the latent demand for affordable rental housing among persons historically disadvantaged by unfair discrimination and poor persons, by the introduction of incentives, mechanisms and other measures that improve conditions in the rental housing market.

5.5.7 National Housing Code, 2009

The National Housing Code of 2000, revised in 2009, sets the underlying policy principles, guidelines and norms and standards which apply to government's various housing assistance programmes, some which have been newly introduced and others updated. According to the Department of Human Settlements (2009), the housing code seeks to improve the coordination and alignment between different planning instruments and economic policies. It also emphasises on the need to develop a single planning authority or instrument in order to provide macro level guidance on the development of sustainable human settlements. It also provides an overview and confirmation of the existing policy that are in place, the vision for housing in South Africa and the implementation plan of this vision. This code indicates another major shift in government policy away from municipal driven subsidy projects providing the Reconstruction and Development Programme (RDP) to informal settlement upgrading,

subsidies to encourage the development of secondary housing market and the provision of subsidies within integrated areas (FFC, 2012).

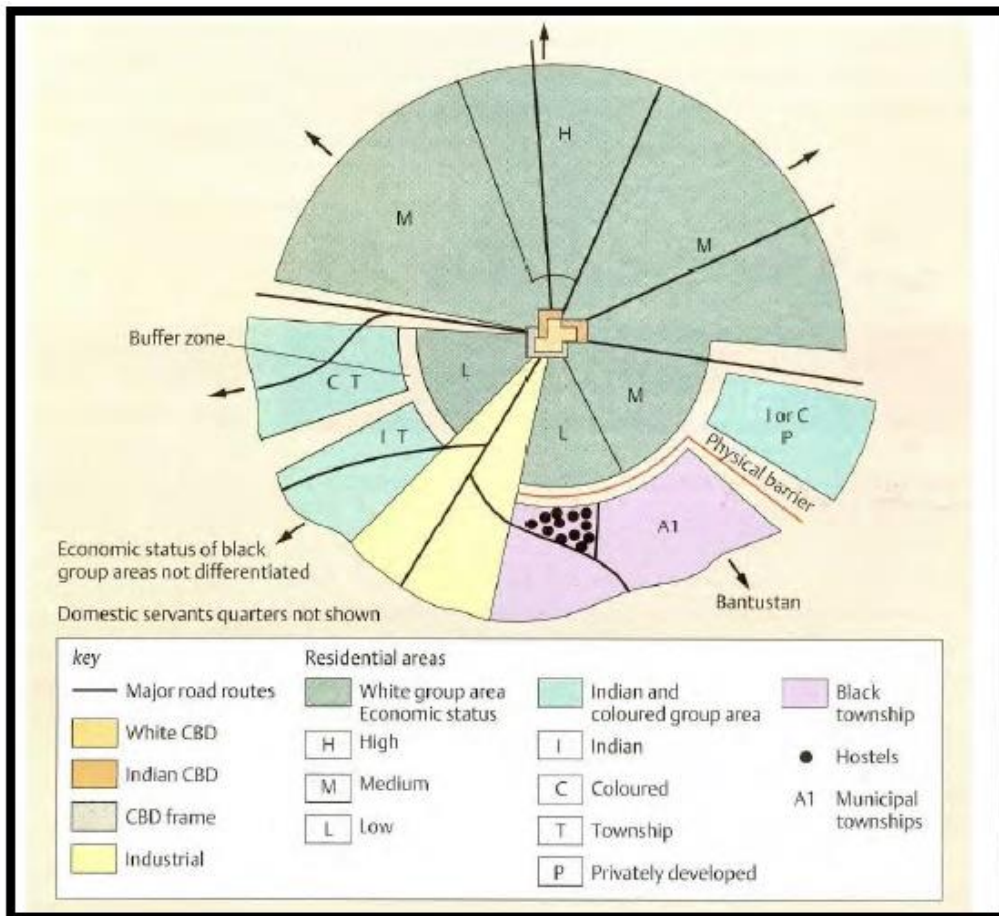
5.5.8 Outcome 8 of 2010

According to Patel (2015), Outcome 8 was launched in response to the estimated housing backlog of about 2.2 million units, with the aim to deliver 400,000 upgraded units in informal settlements by 2014 principally by scaling up and reinvigorating existing upgrade programmes. According to the Department of Human Settlements (2010), Outcome 8 consolidates the policy shift in the revised Housing Code to a focus on informal settlement upgrading and supporting the market to develop affordable housing. With 4 outputs, it reiterates the need for a proper functioning of the land use management system to improve development and zoning processes and systems by fast tracking the development of a new comprehensive land use development and management legislation. According to the Department of Human Settlements (2010) the focus of Outcome 8 was on accelerated delivery of housing opportunities; improved access to basic services; mobilization of well-located public land for low income and affordable housing and improved property market.

5.6 THE SOUTH AFRICAN PLANNING SYSTEM

Looking at land use and spatial planning in South Africa through the lenses of segregation/integration, sprawl/ compaction/ densification, it is important to dissect how and why planning was practised. According to Berrisford (2011), planning laws formed part of the arsenal used both to maintain racial segregation within towns and cities and to prevent and restrict urbanisation especially by black African South Africans. Coetzee (2012) concurs that the planning system ultimately created a fragmented spatial pattern that was characterised by racial, socio-economic and land use segregation, unsustainable human settlements far from the workplace, and poor-quality environment. The legacy of the apartheid spatial planning is reflected in most of today`s South African cities. The typical result of apartheid planning is reflected in the Figure 5.2 below.

Figure 5.2: Spatial structure of the apartheid city



Source: Nagle, 2002

The apartheid planning system was mainly supported by a series of planning legislation namely: The Black Land Act of 1913 which saw the division of land based on race for the occupation and acquisition of black people, and the Group Areas Act of 1950 which re-emphasised the apartheid spatial vision by spatially defining it. Of great significance to the segregation of people based on race was the type of legislation governing planning in these areas. According to the Development and Planning Commission (1999), the division of land and separation of people required and resulted in the introduction of separate legislation for each of the different areas. Berrisford (2011) argues that the planning laws that applied in areas reserved for black people were rudimentary in their protection of amenity, prohibited the use or development of land for commercial or industrial purposes and were coupled with laws that drastically restricted black people's ability to own land in urban areas. This apartheid planning system defied all the principles of integration, compactness and densification in relation to housing development.

Social and spatial segregation and urban sprawl were significant characteristics of the apartheid urban landscape which are visible in today`s urban landscape. This meant that new policies, legislation and regulations had to be enacted for transformation into compact and integrated cities. A variety of land use and management legislation were passed post-1994 and according to Ovens *et al.* (2007), each purported the noblest of intentions: to create urban areas that dispel and rid cities of apartheid`s segregated ideals and reconstruct cities of integration and equal economic and social opportunity.

However, the planning system remained largely unchanged until the introduction of the Development Facilitation Act, 1995 (Act 67 of 1995). The DFA provided for far reaching set of general principles for land development (the DFA Principles), the establishment of a development and planning commission and the establishment of one development tribunal for each province (Berrisford, 2011). These principles provided the legal source to guide post-apartheid spatial planning and were factored in all planning and land development decisions whether taken under the DFA or any other legislation (Du Plessis, 2013). Of importance, the DFA land development objectives made reference to promoting integration, densification and compact city development.

Before the enactment of SPLUMA in 2013, Berrisford (2011) argues that the same laws that were used to implement apartheid`s grand plan of segregation and inequality remained tools used by planners across the country to determine whether or not and on what conditions land development projects should proceed. This led to a situation where the DFA was applied in parallel to existing provincial and homeland planning legislation and mechanism, and municipal town planning schemes until its demise in 2010 (SACN, 2015). The DFA had failed to uphold the vision of integrated development and discouraging urban sprawl as reflected on the subsidised housing schemes. According to Royston (2003), the principles of the DFA lacked coherence or strategic focus and were divorced from the reality of resources available for delivery. As a result, the DFA had minimal impact on the location of new subsidised housing schemes and the direction of private sector investment more generally.

With chapters of the DFA having been declared unconstitutional and repealed in 2010, there was no other post-apartheid planning legislation governing spatial planning and land use management. The arguments that led to the demise of the DFA as discussed in Berrisford (2011) were the question of interpreting the 1996 Constitution`s provisions that set out which sphere of government-national, provincial or local has the power to make planning laws. The judgement given by the Constitutional Court in the case between the City of Johannesburg and the DFA Development Tribunal of the province of Gauteng broke the impasse by clarifying

the confusion in the city's viewpoint that laws dealing with the approval and consideration of land development applications are about 'municipal planning' rather than 'urban and rural development' or 'provincial planning'. The DFA was repealed with other pre-1994 planning legislation such as:

- Removal of Restrictions Act (84 of 1967)
- Physical Planning Act (88 of 1967)
- Less Formal Township Establishment Act (113 of 1991)
- Physical Planning Act (125 of 1991)

The demise of the DFA in 2010, and the White Paper on Spatial Planning and Land Use Management of 2001's call for one uniform law to regulate land use, spatial planning and development paved way for the introduction of SPLUMA in 2013. According to SACN (2015), SPLUMA was introduced to aid effective, efficient planning and land use management. In that effect, SPLUMA re-emphasised the importance of SDFs and IDPs in transforming the spatial legacy of apartheid.

The IDPs and SDFs were first introduced in the Municipal Systems Act of 2000 (Act 32 of 2000). The Municipal Systems Act, 2000 (Act 32 of 2000) stipulated that each municipality should produce an integrated Development Plan (IDP) and each IDP should include a Spatial Development Framework (SDF). The IDP is a key mechanism in municipal planning framework intended to be an all-encompassing plan for a municipality, covering financial, institutional, spatial and other forms of planning; while the SDF includes the provision of basic guidelines for a land use management system of the municipality (Berrisford, 2015). According to Graham *et al.* (2014), the SDF is a statutory requirement that is used to guide and manage spatial growth and development and contains five-year development plan and a 10 to 20-year vision. Furthermore, it is intended to act as an indicative plan showing the desired patterns of land use, directions of growth, urban edges, spatial development areas and conservation worthy areas within municipalities (Landman, 2002). Public participation is key in both the IDP and SDF. The SDF informs the land use scheme; and the scheme has a binding effect on land development and management. In this context, land use management is concerned with the regulation of land development in municipal areas through the use of a scheme recording the land use and development rights and restrictions applicable to each erf in the municipal area. According to Du Plessis (2013), the SDF concept largely replaced the traditional guide plans and structure plans that for many decades formed the backbone of the forward planning

process and functioned as the primary tool for guiding the spatial development patterns of South African cities and towns.

Important highlights in relation to housing are the legal obligation for SDFs to provide an estimation of the housing needs and identification of the planned locations and densities of future housing (Section 21(b) and (c)). In terms of land use, SPLUMA reinterprets the traditional concept of a zoning scheme, which has historically been seen as a separate document to the SDF. A land use scheme must give effect to and be consistent with the SDF and determine the use and development of land within the municipal area. Housing (and its location) is no longer simply a concern of the housing department, as it will be included as part of the municipality's spatial planning framework (Denoon-Stevens, 2014). Infrastructure planning will be guided and constrained by what is shown in the SDF. This in turn will provide a firmer link between policy and practice, as major upgrades will no longer be able to occur in an ad-hoc fashion.

While the SDF should be a tool for policy deployment in terms of restructuring and investment for the purposes of improving the quality of life of all citizens (Musvoto *et al.*, 2016), studies by Musvoto *et al.* (2016) and Graham *et al.* (2014) have shown that the SDF has faced challenges in achieving its goals. In eThekweni, Graham *et al.* (2016) found that the planning process has been described as an iterative process between departments, which try to align their individual sector plans to the IDP process. In this municipality, the SDF and IDP are not believed to be on the 'mainstream artery' of implementation, the capital and the line departments are the implementers. With reference to eThekweni Municipality, Musvoto *et al.* (2016) concluded that the SDF appears to be mainly driven by process and compliance in meeting municipal planning and performance management requirements, respectively, and has largely ignored the communities it seeks to serve through stakeholder support and participation. Graham *et al.* (2014) found that in Buffalo City municipality, the SDF is dominant in planning but the plans are not aligned. Furthermore, there were claims that the SDF is not well appreciated and understood and external politics dominates over the intentions of the planners who conceived the SDF.

5.7 THEMES AND OUTCOMES EMERGING FROM THE HOUSING AND PLANNING LEGISLATIVE FRAMEWORK

Compact city, densification and integration have become the most recurring discourses in post-apartheid housing and planning policies. Though the planning policy framework might have led to some unintended consequences in terms of the location, density and integration

of low to middle income housing developments (Kihato & Berrisford, 2006; Zille *et al.*, 2008), these themes have influenced the implementation of housing and planning policies, the prioritisation of land and the overall functioning of the property market. This section will trace the themes as reflected in major housing and planning policies and unpacks each theme.

Figure 5.3: Post-apartheid housing and planning policy

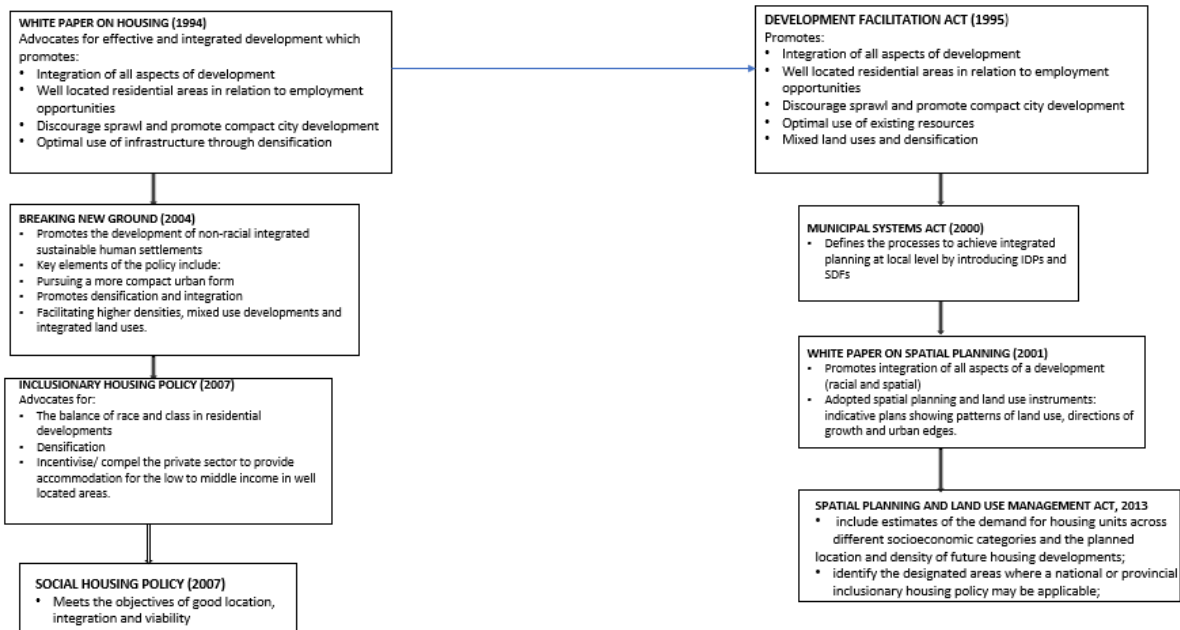


Figure 5.3 above traces the themes of integration, compact city and densification from the housing policies as they are reflected in the planning policies. It can be argued that the imperatives of housing policy are reflected in the planning policy, but for over two decades, housing policy has outpaced the planning policy that was meant to direct and ensure compliance of housing developments with the vision of integration, densification and compact cities. In fact, after the White Paper on spatial planning of 2001, there was no planning policy that materialised. According to Berrisford (2011), the years 2001 to 2010 were characterised by a sense of paralysis in the development of new frameworks for planning legislation. He further highlighted that as much as there was dissatisfaction in government on the inability to enact new planning legislation, a noteworthy challenge was raised by the Minister of Human Settlements in 2007. The Minister of Human Settlements argued that her Department could not be expected to deliver “sustainable human settlements” when the legislative framework for planning was so inappropriate and unwieldy. This implies that, housing development was determining the spatial patterns of cities, instead of spatial planning shaping the cities and upholding the principles of integration, densification and compact city development identified in housing policies.

In South Africa, the idea of compact city developed along different lines from those that have been formulated internationally (Todes, 2003). According to Todes (2003), the focus in these countries has been centred on questions of land consumption, efficient service provision, transport and energy use, while in South Africa, issues of equity and social change have been at the fore. Arguments in favour of compacting the South African city were first developed by academics such as David Dewar but were taken up more broadly by anti-apartheid planners such as Vanessa Watson and Ivan Turok and the ANC led government after 1994. The compact city approach is most of all a spatial concept with the intention of intensifying the use of existing urban space as much as possible. Burgess (2000) defines compact city approaches as measures to increase built area and residential population densities; to intensify urban economic, social and cultural activities and to manipulate urban size, form and structure and settlement systems in pursuit of the environmental, social and global sustainability benefits derived from the concentration of urban functions. According to Harrison (2003), the key concepts of the compact city approach include: increasing densities, containing sprawl, mixed use development and support for public transportation. Instruments to achieve these include: urban growth boundaries, infill development, and the designation of urban corridors, road pricing and strategic infrastructural investment.

There is, however, considerable debate over the concept of compact cities. This ranges from the relationship between urban form, urban densities and travel behaviour. The areas of consensus in relation to South African policy is on the urban form by concentrating populations around existing major core areas (through densification, infill, and the development of well-located land), and creating corridors linking peripheral low-income townships and informal settlements with core areas, while densifying and developing nodes along their routes (Todes *et al.*, 2000). According to Dewar (2000), one of the first systematic attempts to deal with both compaction and spatial structural adjustment in South Africa can be found in the Draft Municipal Spatial Development Framework for the City of Cape Town in 1999. The plan recognised that the concept of accessibility is central to the making of a more compact, equitable and integrated city. Consequently, the debates on the merits of compact city in South Africa can arguably be centred on location and densities. However, the lack of empirical data on existing density levels and trends, and a lack of clarity on what are the most appropriate indicators to measure them, pose a problem for the assessment of densification policies for cities in developing countries (Burgess, 2000). In South Africa, the lack of clarity of density and location poses a huge challenge on how to achieve policy requirements.

Within the compact city approach, integration is a well referred to phenomenon. Though adopted in both the spatial planning and political circles, in the South African context, this was

a call for integration of previously disadvantaged communities with the more well performing parts of the city (by placing new urban facilities within buffer strips and along the routes which had previously acted as dividers), a greater mix of land uses, higher densities, and the accommodation of the poor on well-located sites rather than on the urban edge (Watson, 2003). The DFA identified forms of integration most associated with planning as: integration between rural, urban and primeval landscapes, integration between elements of spatial structure, integration between land uses, integration of new development with old and integration of different classes. The term was further extended to what Pieterse (2003) identified as:

- Urban integration as glue for social investments which is concerned with the integration of different groups in various urban areas to allow for greater opportunities and vibrant communities;
- Urban integration as institutional rationale which refers to integration and coordinated efforts between different spheres of government and different government departments to ensure more effective provision of services and integrated planning;
- Economic integration encompasses greater accessibility to economic opportunities for all urban residents.

Abbott (2001) views spatial integration as the integration of a settlement or a community into the surrounding areas. Ramsden & Colini (2013) cited in Bertoldi (2016) view integration as the opposite of sectoral or silo-based delivery in which development is disconnected and fragmented. They argue that although the notion of integration is expressed in policy documents as if it is a single concept, in the real-world integration has a number of meanings and interpretations which are in terms of policy management, governance, and in terms of geography. Bertoldi (2016) acknowledges that the combination and interrelation of these aspects is the most difficult and challenging task for a city but is necessary to achieve a genuinely integrated approach. Bertoldi (2016) further highlighted the key characteristics of integration as:

- Location in respect of the wider socio-spatial system in a manner where a settlement is integrated into and not peripheral to the system
- A mix of housing typologies and tenures, incomes and age groups
- Access to transport, work opportunities, recreational and retail facilities, safety and security, adequate health care and basic services (water, electricity and sanitation services)
- A level of participation by citizens in establishing and managing the settlement.

In the South African context, all the components of integration stem from the bid to transform the segregated settlements and can be achieved through housing development. As highlighted by Landman (2012), social and spatial integration is shown in mixed-income housing developments, they address spatial mix through having a variety of housing units and facilitate for different land uses in proximity to residents, thus, these developments being useful initiatives to carrying out social and spatial integration and beginning to address the inherent patterns of low-density sprawl, fragmentation and segregation, and facilitate diversity in urban areas. According to Landman (2012) the BNG policy created a stir in the real estate market and housing development, as it has brought about more focus in the creation of more inclusive housing developments ranging from small scale integrated complexes to large mixed-income developments.

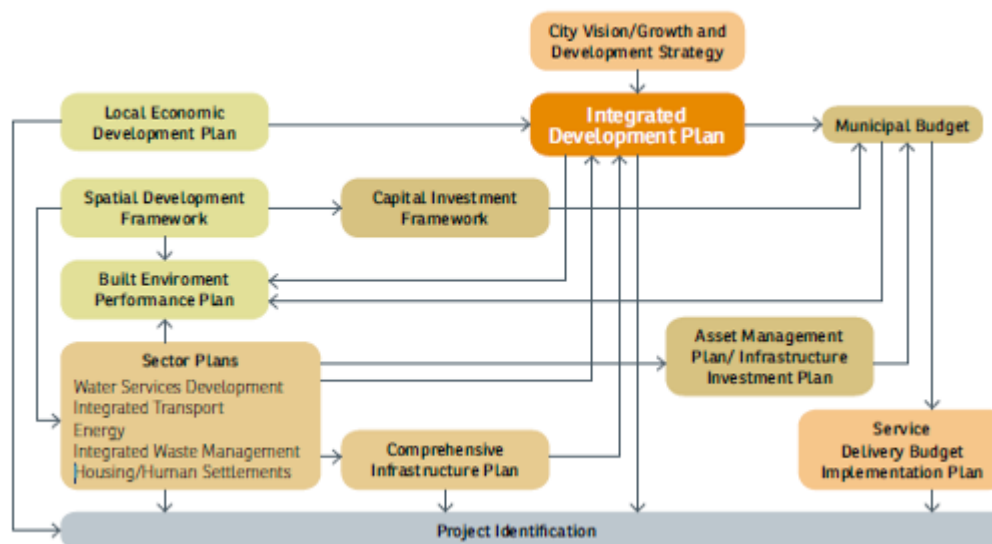
5.8 PLANNING FOR HOUSING DEVELOPMENT IN SOUTH AFRICA

The previous sections discussed various housing and planning policies which shape the development of housing in South Africa. The White Paper on Housing (1994) outlines the key roles and responsibilities of different spheres of government in housing delivery. The national and provincial spheres are tasked with policy development and implementation while the local government has to identify and plan for suitable land, bulk infrastructure, provision of related community services and facilities and create an environment suitable for housing delivery (Department of Housing, 1994). The White Paper on Housing (1994) had envisaged a more significant future role for municipalities, where they would be allowed to implement housing programmes in their jurisdiction by applying to the relevant provincial government; while the accreditation of the housing function to municipalities was outlined in the Housing Act, 1997 (Act 107 of 1997). This is now being recognised through the SPLUMA (Act 16 of 2013) which increases the planning and land use management responsibilities of municipalities. The most important recent development in the human settlement sector is the accreditation and assignment of the housing function to municipalities as per section 126 of the Constitution (Graham *et al.*, 2014). This implies that all functions that can be best performed at local level will be transferred directly to the assigned municipality by the national Department of Human Settlements instead of flowing to the provincial government and then being gazetted and transferred to the accredited municipality by the province (Tshangana, 2014). These functions include the responsibility for programme management and administration for all national and provincial housing programmes, subsidy budget planning and allocation. According to SACN (2015), the Provinces are currently the implementing agents of the different housing programmes, with the exception of cases where certain responsibilities have been devolved to specific municipalities. Tshangana (2014) further asserts that the assignment of the housing

function will unblock key obstacles in delivery and improve performance by simplifying accountability and resourcing for the delivery function; thus, facilitating an integrated planning of ancillary municipal functions such as water and sanitation.

According to Graham *et al.* (2014), these growing responsibilities for municipalities are supported by an existing municipal planning framework, which is defined primarily by the Municipal Systems Act, 2000 (Act 32 of 2000). The municipal planning framework has evolved into a complex inter-relationship of multiple plans covering different sectors and timeframes. Some of the plans indicated in figure 5.4 below influence the functioning of the human settlements sector. Figure 5.4 below shows the municipal planning framework.

Figure 5.4: Overview of the municipal planning framework



Source: Graham *et al.*, 2014

From the figure above, the Integrated Development Plan, Spatial Development Framework and the housing or human settlement sector plan relate directly to housing. According to Graham *et al.* (2014), the key instrument in the municipal planning framework is the Integrated Development Plan (IDP). In terms of Section 9 of the Housing Act, housing planning must form an integral part of the IDP at municipal level. According to the Housing Code of 2009, housing chapters in the IDP should address:

- Identification and prioritization of informal settlements;
- Identification of well-located land for housing;
- Identification of areas for densification and areas with shortages of land;

- Linkages between housing and urban renewal; and
- Integration of housing, planning and transportation frameworks.

According to SACN (2015), the SDF requirements focus on facilitating and steering the formation of a broader built environment of which housing is a component. In relation to the SDF, the National Department of Human Settlements launched the concept of a Spatial Master Plan for Human Settlements intended to guide spatial planning for local and provincial authorities. Though the links to the SDF and other mechanisms such as the Built Environment Performance Plans are not clear, it is still in direct contravention with the constitutional ruling on the DFA which states that municipal planning is the responsibility of local government.

5.9 THE CITY OF CAPE TOWN

5.9.1 Historical development

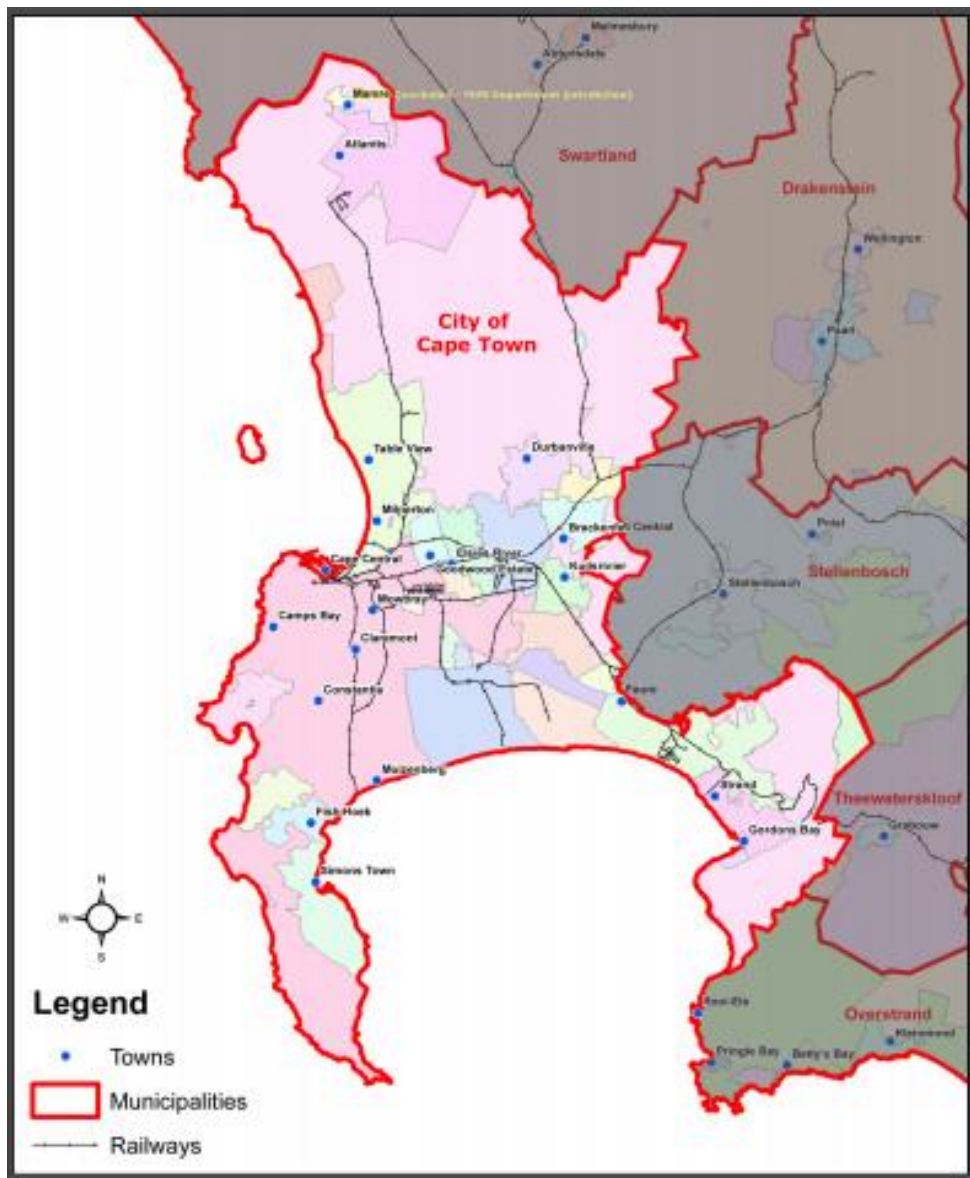
Situated in the Western Cape, the City of Cape Town was designated the legislative capital of South Africa, which houses the parliament; with Pretoria as the administrative capital and Bloemfontein as the judicial capital in 1910. The city covers an administrative area of about 2461 km² and is delineated into 190 suburbs (Currie *et al.*, 2017).

Cape Town was founded in 1652 by the Dutch East India Company as a temporary refreshment station for its ships trading with the Far East (Wilkinson, 2000). Even though the native Khoi people inhabited in this area for over 30,000 years (Miraftab, 2012), permanent settlement status was marked in 1658 by the granting of land to the Dutch East India company workers and by the completion of a stone fort to replace the mud and timber stockade on the Table Bay shoreline in 1674 (Wilkinson, 2000). According to Wilkinson (2000), by the beginning of the 18th century, Cape Town had a population of more than 3150 and the population continued to grow up to about 529,000 in 1940. Official segregation of the city's native population began in 1901 as an emergency measure to check the spread of bubonic plague in the racially mixed, densely populated inner-city areas (Wilkinson, 2000). This was followed by the establishment of a native village at Langa in 1927 and the Cape Flats through the Urban Areas Act of 1923.

Wilkinson (2000) highlighted that systematic planning and development began in the 1930s with the introduction of comprehensive land use zoning regulation. As urbanisation particularly of Africans accelerated in the 1950s, large informal settlements appeared around the city (*ibid*). The Reservation of Separate Amenities Act of 1953 and the Group Areas Act of 1950

exacerbated the segregation of residential areas for Coloured and Indian population. This led to the dislocation of well-established communities and the forced removal of an estimated 150 000 people to new public housing estates or townships built on the Cape flats by the end of 1960s. The destruction of district six in the 1940s and declared a white group area in 1966 altered the city`s social geography during the 1960s and 1970s (Wilkinson, 2000). As the African population continued to grow, the public housing provision machinery failed to keep pace with rapidly escalating demand coupled with the state`s failure to contain continuing African urbanisation which led to an increase in Africans living in informal settlements or under intolerably overcrowded conditions in the existing townships. According to Miraftab (2012), the nineteenth-century town planning obsession with hygiene also contributed to the segregation of Europeans and Africans. A further outcome was the establishment of the Western Cape Regional Services Council in 1986, a supra- municipal body empowered to raise revenue through levies on local businesses and to use it to accelerate the upgrading or provision of basic services in African and Coloured areas. According to Wilkinson (2000), major low-cost housing projects were initiated in the South- Eastern sector of the metropolitan area with the establishment of Khayelitsha (for Africans), and Blue Downs and Delft (for coloureds), the development of which was significantly underwritten by the subsidies from central state agencies.

Figure 5.5: The City of Cape Town



Source: City of Cape Town, 2016a

5.9.2 Population and social conditions

Cape Town is ranked as the 10th most populous city in Africa (UN-Habitat, 2014) and has the second largest population of all the cities in South Africa with an estimated population of about 4 004 793 (City of Cape Town, 2016). The ethnic population of Cape Town is dominated by coloureds followed by Black Africans at 41.6% and 33.6% respectively (Stats SA, 2011). With the infant mortality rate having decrease from 25.2% in 2003 to 16.4% in 2012, the population is set to increase (City of Cape Town, 2016b).

The growth in population presents resource challenges in terms of increased demand for municipal services and housing as well as sustainable growth and development of cities. These challenges can be exacerbated by an increase in the number households as indicated in Table 5.1. The number of households increased from 653 085 in 1996 to 1 068 572 in 2011 and to an estimated 1 264 646 in 2016 (City of Cape Town, 2016b); while the household size decreased from 3.50 members in 2011 to 3.17 members in 2016 (City of Cape Town, 2016b). The increase in households and a decrease in household size has an impact on the demand and type of housing and an increase in the competition for scarce urban land uses.

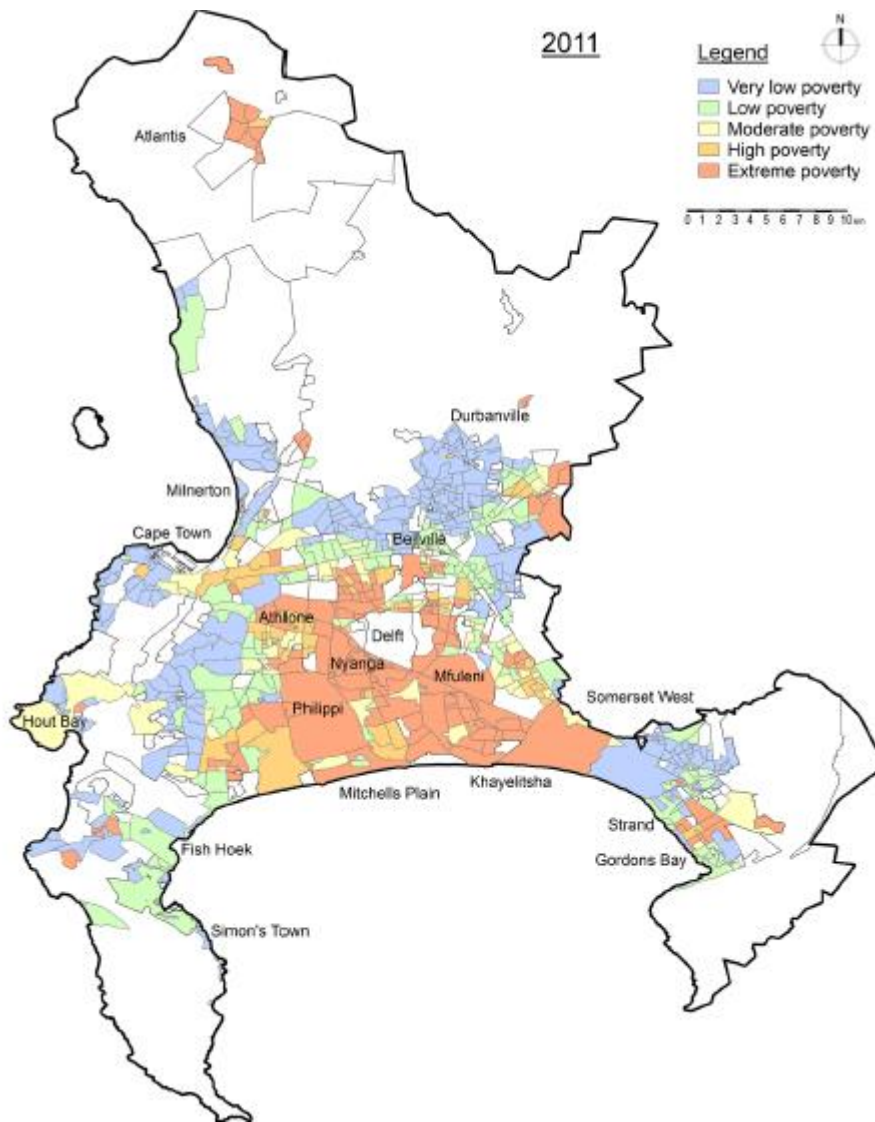
Table 5.1. Households in Cape Town, 1996 to 2011

Population group	1996		2001		2011	
	Number	%	Number	%	Number	%
Black African	168 000	25,7	251 125	32,3	444 781	41,6
Coloured	259 982	39,8	310 465	39,9	358 629	33,6
Asian	8 742	1,3	10 065	1,3	14 267	1,3
White	195 011	29,9	205 734	26,5	232 826	21,8
Other	21 350	3,3	0	0,0	18 069	1,7
Total	653 085	100,0	777 389	100,0	1 068 572	100,0

Source: City of Cape Town, 2016b

Even though the education levels amongst the adult population of the City have slightly increased between 2011 and 2014 from 30.07% to 30.38% respectively; and a broad unemployment rate of 21.8% which is the lowest compared to other metros in the country, poverty, inequality and crime remain exceptionally high. This is illustrated by 37.7% of the people living below the poverty line, a Gini coefficient of 0.58; one of the highest in the world and the highest crime compared to other metros. Figure 5.6 below shows the poverty concentration areas.

Figure 5.6: Areas with poverty concentrations



Source: Greyer and Mohammed, 2015

5.9.3 Housing

Recent estimates on housing shortages in the Cape Town area indicate that there is a backlog of 345 000 households, of which 143 823 are in informal settlements, 74957 in backyard shacks and 44 581 in overcrowded formal housing (Stats SA, 2011). In 2015, a total of 303 953 households' applications were registered on the City's housing database. According to the Housing Development Agency (2013), the City of Cape Town contains an estimated 373 informal settlements, and these informal settlements contain 141 765 dwellings. This implies that 21% of Cape Town's households live in informal dwellings.

As established before, families earning between R3, 500 and R15, 000 per month constitute the gap market that remains un-serviced by both the state and the private sector. Cape Town`s economy is characterised by a severe decline in blue collar jobs and a general slowdown in employment. This gap is widening and the housing solutions potentially devastating for those who fall in this income group. The Finance Linked Individual Subsidy Programme (FLISP), a state initiative for households in the gap market, is intended to assist these households in accessing housing through a contribution by government that increases the size of a home loan (Centre for Affordable Housing Finance in Africa, 2015). As the only subsidy programme targeted at the gap market, the FLISP subsidy is failing to stimulate the private sector in meeting the demand for housing. This is because of the delays in application processes, exhausted provincial budgets set aside for this program causing delays in application of up to 12 months and shortages of land available for development (Smith, 2013).

The challenge in the affordable housing market is further exacerbated by the affordability of housing in the City of Cape Town. This is illustrated by the fact that the average rentals in Cape Town CBD range between R8000 and R15000 per month and the Western Cape has been the most expensive province to rent in and the one with the highest rental growth rate (Rent averaged R8777 and up to 10.8% growth) above the national average of R7308 growing at 5.4%) (Payprop in McGaffin, 2017). Furthermore, the Census 2011 indicated that of the City of Cape Town`s households:

- 47% fall into the R0 – R3,200pm category;
- 14% into the R3,201 – R6,400pm category;
- 13% into the R6,401 – R13,000pm category;
- 12% into the R13,001 – R26,000pm category; and
- 14% into the R26,001+ pm category

Table 5.2 below shows a breakdown of household income in Cape Town.

Table 5.2: Breakdown of household income in Cape Town, 2011

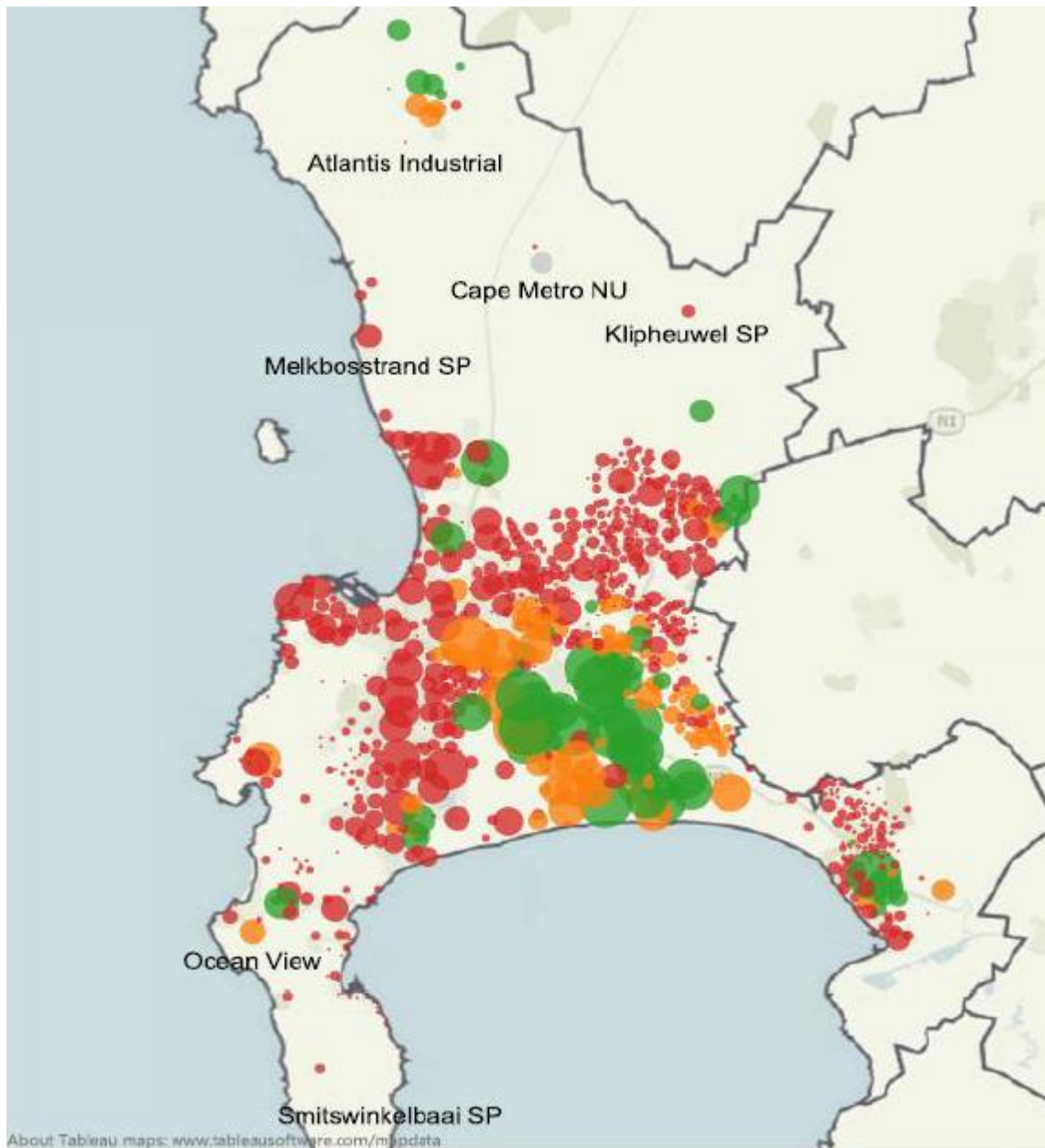
Cape Town annual household income	Cape Town monthly household income	Black African	Coloured	Asian	White	Other	Total
No income	No income	85 427	37 399	1 542	19 522	2 627	146 517
R1 - R4 800	R1 - R400	23 039	5 051	91	877	315	29 373
R4 801 - R9 600	R401 - R800	30 652	9 643	161	1 267	695	42 418
R9 601 - R19 200	R801 - R1 600	67 109	38 410	713	5 301	1 744	113 277
R19 201 - R38 400	R1 601 - R3 200	102 325	55 849	966	8 633	3 051	170 824
R38 401 - R76 800	R3 201 - R6 400	64 708	66 488	1 459	18 853	2 919	154 427
R76 801 - R153 600	R6 401 - R12 800	35 420	62 286	2 149	37 117	2 376	139 348
R153 601 - R307 200	R12 801 - R25 600	20 520	47 952	2 852	53 255	2 046	126 625
R307 201 - R614 400	R25 601 - R51 200	10 835	26 390	2 564	51 619	1 452	92 860
R614 401 - R1 228 800	R51 201 - R102 400	3 122	6 889	1 240	26 190	577	38 018
R1 228 801 - R2 457 600	R102 401 - R204 800	970	1 425	336	6 851	166	9 748
R2 457 601 or more	R204 801 or more	645	832	187	3 300	102	5 066
Unspecified	Unspecified	9	15	6	41	2	73
Total	Total	444 781	358 629	14 266	232 826	18 072	1 068 574

Source: City of Cape Town, 2016b

According to Payprop (2017), in the Western Cape income distribution had a higher than average concentration around the top end, with larger percentage of tenants earning high incomes while just over 50% earned in the lower brackets of R10,000 and R30,000 per month. Furthermore, the rent to income ratio for Western Cape is 29% which is slightly above the national average. This implies that most people in Cape Town cannot afford to rent or buy property without significant intervention from the government.

In 2014, the Centre for Affordable Housing Finance in Africa and the South African Cities Network developed an affordability gap indicator for the City of Cape Town. With an average income of R13, 164 per month a household can afford a house to the value of R336, 000 with the average house prices ranging from over a million Rands. This presents an affordability gap as shown in Figure 5.6 below where the properties shown in red bubbles are valued above R500, 000 compared to a fairly smaller pool of affordable properties valued between R250, 000 and R500, 000.

Figure 5.7: Affordable suburbs by property value in Cape Town



Source: Centre for Affordable Housing Finance in Africa and SACN, 2014

The White Paper on Housing (Department of Human Settlements, 1994) sets out the framework for housing, and “*the establishment of viable, socially and economically integrated communities, situated in areas allowing convenient access to economic opportunities as well as health, educational and social amenities*” (Department of Human Settlements, 1994). However, undesirable current spatial configurations in South African cities, including Cape Town are a perfect example of space reflecting and reinforcing inequality (Schensul & Heller, 2010). According to Massyn *et al.* (2005), the housing problem in Cape Town is multi-dimensional and complex, but it generally has three defining features namely: there is a

significant backlog in the supply of units; houses are often built at densities that are too low to create the necessary thresholds to viably support city functions; and many settlements are poorly located in terms of access to economic and social facilities.

Despite a huge backlog in providing housing, the City of Cape Town has made considerable progress in housing the poor and further availing ten new affordable housing sites in 2017. The provision of housing in South Africa is considered one of the most significant and important projects in “redressing our inheritance, deconstructing the socio-spatial economic incoherence, and reframing for more socially just outcomes” (Vawda, 2014). The White Paper on Housing (1994) sets out the framework for housing, and “the establishment of viable, socially and economically integrated communities, situated in areas allowing convenient access to economic opportunities as well as health, educational and social amenities” (Department of Human Settlements, 1994). However, undesirable current spatial configurations in South African cities, including Cape Town are a perfect example of space reflecting and reinforcing inequality (Schensul & Heller, 2010). This is illustrated by the commuting times taken by commuters in the City of Cape Town to get to their places of employment. According to State of Cape Town Report (2016),

“In 2014, commuters in the white (32,4%) and Asian (20,3%) population groups had the shortest commute, taking less than 15 minutes on average to travel to work, compared to 10,7% and 16,6% of commuters in the black African and coloured population groups respectively. In turn, those who took between 61 and 90 minutes were predominantly commuters from the black African (18,0%) and coloured (7,3%) population groups”.

Further, *“the majority of low-income black African and coloured households live further away from the city centre and other major economic nodes around the city and have to commute longer distances and times by means of public transport modes. A small percentage of commuters from these population groups took more than 90 minutes to travel to and from work, and predominantly used public transport”.*

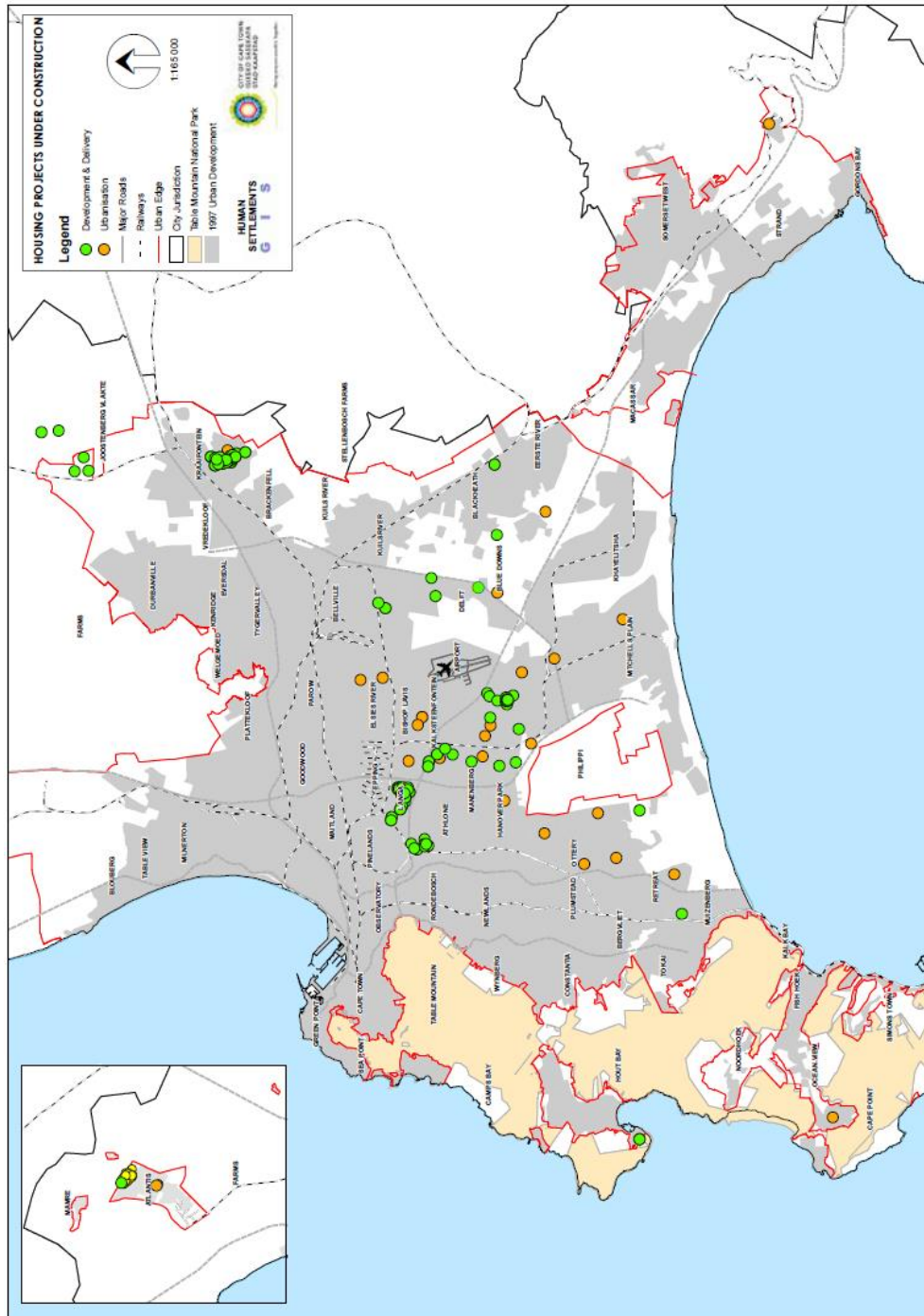
The excessive travel times show that most people are located far away from economic activities. The Cape Town City centre, Claremont and Bellville are the metropolitan economic nodes; however, well located developments can be viewed from the future growth of the city and the resources to be invested future developments. According to Quantec data (2011) on household income and expenditure, an average Cape Town household spends 14% of their income on housing, 17% on transport. This indicates a need for well-located affordable

housing to reduce the high transport costs for the poor, which dissolves the household income that could otherwise be used for savings, education opportunities or investments.

The relationship between the location of the metropolitan nodes, sub metropolitan nodes, emerging metropolitan and sub-metropolitan nodes in the Spatial Development Framework and the location of housing developments under construction and housing developments in the planning phase (Figure 5.8 and Figure 5.9 overleaf) is an indication that there is a disjuncture in the location of housing developments and economic nodes. Sinclair-Smith and Turok (2012) pointed out that in Cape Town there is a high degree of residential segregation and the major concentrations of the population live some distance from the main employment centres. Turok (2013:8) further sums up the Cape Town situation as follows:

“The inner city and northern and southern suburbs are relatively sparsely populated, but house most of the jobs in discrete centres. The city has extremely dense informal settlements scattered around the periphery, reflecting the pressure on land. None are well located in relation to economic opportunities. Atlantis is a displaced settlement well beyond the urban edge and suffers from isolation. Mitchells Plain is the largest formal township, originally built for ‘coloureds’ in the 1970s and 1980s, now replete with backyard shacks because of the housing shortage. Khayelitsha was declared a township for ‘Africans’ in the 1980s and has grown rapidly from scratch despite its peripheral situation. One consequence of the city’s imbalanced structure is intense commuting flows along the congested NW–SE axis. Communities on the margins are disadvantaged by the sheer distance and poor quality of public transport connections to the main employment centres.”

Figure 5.8: Location of housing projects under construction



Source: City of Cape Town, 2016b

5.10 CONCLUSIONS

This chapter was presented in two main sections. The first section presented the housing and planning policy and legislative framework that guided the development of affordable housing in South Africa. It gives a critique on how changes in housing policy have influenced the planning system with the aim of addressing the first objective of the study. The first objective aimed at identifying the planning and housing policies and to investigate how the changes in housing policy have influenced the planning system. It was found that there is evidence to suggest that some elements of the housing policy are reflected in the planning system and have influenced the planning system. The second section presented a descriptive contextual framework for the City of Cape Town focusing mainly on features relating housing such income levels, population and household sizes, poverty levels, housing backlogs and affordability as well as the structures and process guiding housing development within the city.

6 CHAPTER SIX: ANALYSIS AND DISCUSSION

6.1 INTRODUCTION

The outcomes in terms of density, location, affordability and integration in the affordable housing market are a result of the relationship between the planning system, the policy framework, factors of housing production and role players in the property market. As espoused by Cheshire and Sheppard (2002), planning systems set rules and guidelines that control the supply and location of land usable for a full set of legally defined purposes independently of price and so influence the level, location and pattern of activity. As such, in the affordable housing market, role players operate within the functionalities of the property market, competing with other properties in the housing segments; complying with the planning system and mitigating challenges encountered through the development process. In this study, the planning system, policy framework, factors of production (land, labour and capital) and ideologies are seen to influence the outcomes in terms of density, location, integration and affordability.

The interaction of the developers, policy makers and policy implementers with the planning system, the policy framework, factors of production and the ideological perspectives of these role players illuminates the outcomes in affordable housing. This chapter presents the analysis and discussion of empirical data obtained from five case studies of affordable housing developments, interviews with policy makers and policy implementers from the provincial and local government, housing activists and housing policy specialists. Section 6.2 discusses the analytical approach taken and section 6.3 presents the characteristic of the respondents. Results from the case studies are discussed in section 6.4 Section 6.5 is the analysis of the empirical data obtained from the interviews with key informants in the public sector, while section 6.6 evaluates the objectives and hypothesis of the study. Finally, a discussion of the findings and policy recommendations is presented in section 6.7.

6.2 ANALYTICAL APPROACH

The rhetoric of problematic outcomes in terms of location, density, integration and affordability of affordable housing is well publicised, but the meaning of these concepts has not been well-defined in operational terms. It is necessary for the purpose of this thesis to provide a working definition for each of these concepts. These working definitions are used to analyse the data.

The South African affordable housing market has not evidently produced integrated housing at good locations and appropriate densities despite the policy intentions pointing in that direction. The premise of the problem is that despite the principles of densification, integration and the creative use of planning tools bestowed in housing policies, affordable housing development is hardly occurring at appropriate locations and densities but continues at low densities at the urban periphery. While acknowledging these difficulties, this study proposes that, ideally, affordable housing should be located within an acceptable radius from the CBD, at high densities with acceptable racial, income and housing typology mix.

6.2.1 Defining location

Good location is often given reference with proximity to economic activities, social facilities and infrastructure. However, in the global South and South Africa in particular, there isn't much guidance in the literature on what it means for affordable housing to be well-located. Therefore, for the purposes of analysis, it is necessary to devise a working definition of good location by drawing on international standards. Affordable housing should be located where beneficiaries can reach jobs in reasonable commuting times, access to schools and vital services. International standards suggest that commuters should spend less than an hour travelling to work (MGI, 2014) and the cost of commuting to work should not consume 2.5 percent to 5 percent of an individual's income (Clark & Naude, 1986 cited in Turok & Watson, 2001). Furthermore, one-way trip lengths in first world cities like Los Angeles that make use of road transport is about 15, 3 km (CMC, 1999 cited in Turok and Watson, 2001). Given the above, the Cape Town central business district (CBD) is classified as an area of highest economic activity, with vibrant social activities and well-developed infrastructure. As land values increase in areas close to the CBD, and decrease with increase in distance from the CBD, then the distance to the CBD is important. In order to make the concept of well-located affordable housing operational, such a well-located affordable housing development should ideally be located within a 15 km radius from the Cape Town Central Business District taking into consideration the travel times and transportation costs.

The reason that location is measured from the CBD is two-fold. Firstly, it takes the popular or publicly espoused views of politicians, NGOs, and other players that regard the CBD as the ideal location as a useful starting point for pragmatic and policy-making reasons. The thesis then goes on to expose the gap between those views and what is realistically possible. That way the thesis aims to provide an empirically grounded critique of popular notions of location, using a criterion that policy makers themselves use. Secondly, the thesis uses the distance to the CBD, as the primary centre of gravity, as a preliminary analytic device with which to commence

the discussion -purely a framework for analysis against which a more realistic notion of location is developed.

6.2.2 Defining density

Density is a complex concept involving the interaction of perceptions with the concrete realities of the built environment (Alexander, 1993). While perceived density and physical density are commonly used, the principles of compact city such as intensification of the use of space through higher residential densities, mixed land uses and limits on development beyond the periphery of the city inspired the definition of density in this thesis. Density is defined as the concentration of buildings or physical structures within a geographical area with the objective of raising the population density. Density in this instance is related to a specific housing development. Density is expressed by the floor area ratio (FAR), coverage and height. While these measures are controlled by the zoning and building regulations to express permitted maximum intensity of land use, the different combinations of FAR, coverage and height manifest a variety of urban form. Hence, appropriate densities are viewed in terms of space usage both horizontally and vertically (height) resulting in the increased number of units, diverting from the single dwelling per plot scenario. Affordability is critical in affordable housing, implying the standards and design of buildings in achieving greater densities should reflect that. Therefore, ideally, 3-4 storey walk-up buildings are defined as a minimum appropriate height because they are more affordable compared to taller buildings with lifts and more substantial foundations.

6.2.3 Defining integration

Against the backdrop of sprawling, fragmented and separated urban forms in South Africa, integration is entrenched both in policy and literature. Oftentimes, aimed at reducing racial and class segregation, integrative land use patterns are intended to maximise the opportunities for particularly poor urban residents to access urban services and employment opportunities (Pieterse, 2006). Given the different interpretations of integration both on policy and academic level, conceptual precision on a housing development level is required. While it is acknowledged that integration is poorly and inconsistently defined and scoped in policy, integration in housing is more than proximity and spatial patterns. It involves associations between people of different race and a mix of tenure, typologies and income. For the purpose of this thesis, integration in affordable housing development is premised to be a mixed development with diversity in terms of tenure options (rental or ownership), race and income.

The concept of integration could be problematic. Just as in the case for location, it is hard to achieve all three dimensions of race, tenure and incomes simultaneously at the project level, and trade-offs have to be made. This type of integration is publicly advocated for by policy makers, and there is thus value in bringing it up for analysis, if only to highlight the status quo. The word 'integration' should be seen mostly as descriptive and is consistent with public policy statements. It seems to be the best description of the phenomenon of interest, which is much wider than tenure mixing.

The South African housing landscape inherited a legacy of spatial, racial and income divide. While racial integration is aimed at healing the nation and reversing the legacy of apartheid, diversity in tenures options and income levels are beneficial to the developer and the end user. This study acknowledges the view that most literature on mixed developments (income, race, tenure or typologies) focus on the broad socio-economic integration the development achieves less documenting the individual social interactions and benefits of the mix in these individual developments. Diversity in terms of tenure options not only offers options to the end-user in terms of affordability to rent or buy; but enables the developer to access various funding streams. This is based on the government subsidy structure which offers subsidies to certain income groups (for example, FLISP subsidies for ownership options and institutional subsidies for rental options). Integrating various income groups allows for cross-subsidisation of units, where higher prices are charged to a group of end-users in order to recoup the costs of subsidising the lower income end users. If done well, this mixed development yields profits for the developer and increases affordability for the end user.

In order to make the concept of integration operational, integration in terms of tenure is a combination of rental and ownership options within a development. Rental options are provided by the government-subsidised social housing programme and ownership options could be sectional title or freehold. Integration in terms of income levels is expected to mirror the affordable housing spectrum which ranges from R3, 501 to R15,000 per month. Therefore, income integration is attained if a development has a representation of beneficiaries in the following income bands: R3, 501 to R7,500; R7,501 to R10,000 and R10,001 to R15,000. It is acknowledged that the mix of tenure types and income groups at project level is largely dependent on the policy prescriptions and the demand of the market and the success of such a mix is determined by the size of the project. Ideally, for development to be racially integrated, it is expected to have a fair representation of all the racial groups. These include the Coloured African, White and Asian population.

6.2.4 Defining affordability

International standards suggest that an affordable housing unit is one whose cost is no more than 30% of income, regardless of the services provided by the unit. In this study, affordability is premised to be a function of the selling prices of the houses, rental and mortgage loan repayments on the units and the terms of the mortgage loan the household qualifies for. The household income for affordable housing market is stipulated in the housing policy as between R3, 501 and R15, 000. Housing affordability is attained if no more than 25% of the gross household income is spent on housing.

6.2.5 Making the conceptual framework operational

The study employs structure-agency theory as the methodological stance to analyse the impact of structural variables (rules, resources, ideas) on the decisions made by role players on the location, density, integration and affordability of affordable housing. The premise central to structure-agency theory is that outcomes in terms of location, density, integration and affordability of affordable housing are a result of structural forces. In effect, rules, resources and ideas constrain or enable the agency of the role players. The key role players in affordable housing development are developers and state representatives in policy making and policy implementation. The agency of these players determines the observed outcomes in the affordable housing market.

The *planning system and policy framework* encompass the operational policy and regulatory framework. These are the rules pertaining to planning regulations, building regulations, policy guiding subsidies or the application of incentives. The planning system and policy framework can enforce the provision of affordable housing, ensure the availability of land for affordable housing, and incentivise the development of affordable housing through various planning tools and policy measures. Housing development of any kind requires a combination of three types of resources, and these are land, labour and capital. These inputs into a development are called the *resources for housing development*. Land on one hand refers to its physical form, size and location; and on the other to the ownership, rights and bulk infrastructure on the property. Labour refers to the collective effort involved in executing a project. This includes the cost of construction including obtaining planning and building approvals, and property management. The cost of material resources is considered an element of labour. Capital includes the financial resources invested in a development. These can be from various sources such as state subsidies, financial institutions or equity. These elements have a direct impact on the type, location, density, total cost and affordability of a development.

In an affordable housing development, role players have ideological perspectives and motivations that carry assumptions about various developmental aspects, have an influence on how they perceive their interests and devise strategies. Developers are either profit oriented or non-profit oriented, while the policy makers and policy implementers are influenced by the political perspectives which are either against or in support of the state owning the means of production. *Ideologies* are seen to influence the dynamics in the use of the resources for housing development, policy formulation and the interpretation of the planning system. This is because ideologies inform the interests and strategies of role players as they define projects, consider relationships, and develop and interpret rules. These three structural variables, namely the *planning system and policy framework*, the *resources for housing development* and *ideologies* have a causal effect on the outcomes in the affordable housing market.

The conceptual framework indicates that the planning system and the policy framework impacts on the agency of developers regarding the location, density, integration and affordability of affordable housing. The regulatory framework is expected to enable the development of affordable housing by making sure that the housing requirements for the affordable housing market met in full by: supplying zoned land within a reasonable distance from the CBD, providing incentives to develop at higher densities and good locations, provide explicit requirements on inclusionary housing and integration. Secondly, the regulatory framework is expected to compel developers to make a greater contribution towards increasing the supply of affordable housing through planning approvals. Thirdly, policy initiatives such as subsidies, incentives and land acquisition should encourage developers to be involved in the affordable housing market. In addition, such regulations should be compelling to achieving desirable outcomes in terms of affordability, location, integration and densities; at the same time increasing the opportunities through incentives to realise profits.

In terms of the conceptual framework, well-located, integrated, affordable and densified affordable housing is dependent on the availability and cost of the factors of production, the regulatory and policy framework as well as the ideological perspectives of role players in the development process. The analytical approach presented here acknowledges the urban rent theory that suggests that land value result from a trade-off between accessibility and transportation costs. The value of land is a function of its location, accessibility and the highest and best use. It follows that, the market-centred approaches decide the highest and best use of land, and if left free from regulations, will automatically allocate land for the poor on the periphery. Generally, affordable housing is not expected to generate much value as compared to other land uses, to be able to bid competitively for good location. Therefore, to achieve the

objective of well-located affordable housing, it is expected that land be available at good location and affordable. This can be realised through government interventions in the supply and cost of land, thereby making the investment profitable for developers and affordable for the end user.

The conceptual framework further alludes to the importance of capital. The availability and accessibility of capital is determined by the lending criteria of financial institutions and government subsidies. This is applicable to both housing finance and development finance because without the other, developers cannot afford to supply, and the end-user cannot afford to acquire the property. However, this is not enough to ensure affordability and profitability, should the cost of borrowing and the subsidy amount not match the costs of development. Thus, the financial environment is expected to be conducive to the functioning of the affordable housing market by the availability of sufficient government subsidies and accessible affordable loans from financial institutions.

A third key element to achieving affordability and profitability is the cost of construction. This part is constituted mainly by the merits and demerits of sub-contracting the construction against the use of in-house labour and partly, the cost of material resources used, in relation to the capacity of the organisation. Ideally, to aid the development of affordable housing, the most cost-effective method of construction and construction materials are expected to be used for the developer to realise profits and affordability for the end user.

In terms of structure-agency theory, ideologies are expected to account for the decisions relating to the use of resources and actions taken. The sentiments around affordable housing, political willingness, beliefs and ideas around integration, location and densities are central to the development of affordable housing. A recurrent issue in the development of affordable housing relates to the appropriate role of the state, on one hand, and the private sector on the other. While the ideological motivations are clear, it is expected that there should be a framework that harnesses the resources and expertise of the private sector, with the state focusing on creating and sustaining an enabling environment. This view has been increasingly under pressure from critics, with many advocating for more direct state intervention. Whichever side of the ideological spectrum one is standing on, these views impact on the roles and distribution of resources.

The conceptual framework acknowledges the difficulties encountered in achieving integrated affordable housing at appropriate locations and densities. It is understood that these four variables are not easily attainable, hence there are tensions and dynamics resulting from the

interaction of key actors and the structural variables. The location of affordable housing has been largely determined by the availability of well-located land. The supply of land can be increased through the provision of infrastructure or the town planning regulations such as zoning tools. The creation of an urban edge can be used to decrease the supply of land available for development. The aim of imposing the urban edge is to curb urban sprawl and increase densification. In certain cases, imposing the urban edge increases the land prices within the urban edge by curbing the supply of developable land from entering the market. As espoused by Berrisford et al. (2008), the urban edge often prevents the low-income citizens from owning land within the urban edge because land within the urban edge is not guaranteed for residential purposes, let alone low-income residential purposes. They further argued that imposing the urban edge creates fierce competition of land for housing with other land uses, which becomes fiercer as the supply dwindles condemning the low-income citizens to renting, buying housing in remote areas with low land values and establishing informal settlements.

While land is expensive inside the urban edge, the cost of providing adequate infrastructure becomes unaffordable and unsustainable for the state. Key actors are faced with locating affordable housing outside the urban edge (where land is cheaper) or employing other alternatives to provide affordable housing on well-located land. If valuable well-located land is owned by the state, a choice must be made between allocating the land for affordable housing developments or to sell the land to a developer of private housing for more income. The high cost of well-located land means developers must build at higher densities to achieve a decent return on their investment and to achieve affordability. However, developing at higher densities is more expensive considering the cost of substantial foundations, lifts and other inputs required for taller buildings. To attain higher densities, the capacity of the municipal services should be adequate to sustain higher densities. Development charges are directly proportional to the density of a development. The higher the density, the lower the development charges. The height of a building is often determined by planning restrictions rather than optimal economic outcomes. Furthermore, attaining tenure mix (ownership or rental) is supported by the market demand. It is acknowledged that despite the policy intentions to mix tenure types, a sufficient demand for rental or ownership should be justified for the development to be a success. Similarly, attaining affordability presents dynamic tensions between building and management costs and the rentals charged or selling price.

The problem in the affordable housing market relates to the persistence of unfavourable outcomes in terms of density, location and integration of affordable housing developments. The aim of this study was to investigate why there is no greater development of integrated affordable housing at higher densities and at appropriate locations despite the principles of

densification, integration and the creative use of town planning tools bestowed in the housing policies. The first question investigated how the ideals of planning incentives, densification and integration reflected in the housing policies influenced the post-apartheid planning systems. The second question asked how the planning system impacts on the property and housing market and how this, in turn, produces the current outcomes regarding the affordability, integration, location and densities of affordable housing.

Central to the analytical framework were two working hypotheses. Firstly, it was hypothesised that the principles of planning incentives, densification and integration espoused in housing policy have not been sufficiently reflected in the planning system leading to failure in stimulating the private sector to supply affordable housing. Secondly, it was hypothesised that the planning system fails to counteract the tendencies of private developers to develop housing that is not integrated, at inappropriate densities and locations. The following objectives were set out in the beginning to assist in the generation of empirical data:

- To identify the planning and housing policies and investigate how changes in housing policy has influenced the planning system in South Africa.
- To investigate the relationship between the planning systems, other structural variables, the constraints faced, and strategies used by policy makers and policy implementers in the delivery of affordable housing that is well-located, integrated and at appropriate densities.
- To investigate the relationship between the planning systems, other structural variables, constraints faced, and the strategies employed by developers to mitigate the challenges faced during the development of affordable housing.
- To make recommendations on the development of affordable housing that is well-located, at appropriate densities, integrated and affordable.

The empirical data generated from the objectives have been used to analyse the problems and hypotheses outlined above. The first objective sets out the housing and planning policies that form part of the structure within which the key role players operate. As housing policy is constantly changing in response to housing needs, this objective investigates the implications of housing policy on planning policy and the implementation thereof on local level.

Objective two attempted to investigate how the planning system and other structural variables such as rules, resources and ideas either constrain or stimulate the market, at the same time curbing the tendencies of the private sector to develop housing with undesirable outcomes.

The role of policy makers and policy implementers from the public sector can be conceptualised as to stimulate, regulate and shape the property market through the implementation of the planning system and other regulations, and the allocation of resources while the developers and planning consultants use, negotiate and comply with the planning system. Through the interaction of these role players with the planning system and other structural variables, this objective aimed to yield data to examine how the planning system and other structural variables constrained or enabled the development of well- located, densified and integrated affordable housing.

Drawing on the second objective, the third objective seeks to uncover the overall causal mechanisms underlying the development of affordable housing as developers interact and strategize to pursue their interests within the structural environment characterised by planning system, rules, resources and ideas. The empirical evidence gathered seeks to unpack the dynamics, the challenges and the strategies employed by developers in the development of affordable housing. The three objectives enabled us to understand why there is no greater development of integrated affordable housing at higher densities and appropriate locations despite the good policy intentions. Further, this study acknowledged that the South African housing policy has transformed more often than the planning policy often-times duplicating the same outcomes; hence, the fourth objective is aimed at recommendations on the development of affordable housing that is well-located, integrated and at appropriate densities.

6.3 CHARACTERISTICS OF THE SAMPLES/ DESCRIPTION OF THE SAMPLES

6.3.1 Case studies of developments

Five case studies of affordable housing developments were selected purposively from the entire spectrum of developments in the affordable market. These developments selected consists of various tenure types (rental or ownership) and the different types of developers representing a range of developers with varying ideologies and motivations ranging from those who develop for profit (profit-oriented developers), non-profit organisations and state entities. The selection also represented developments done on privately owned land, state land or a combination of both. These are social housing, FLISP housing or mixed developments or other types of affordable housing based on unique solutions. The importance of this categorisation is to explore the different scenarios that can be observed from the experiences of developers with varying ideologies and motivations. Furthermore, developers with different ideologies use resources differently, thereby allowing us to explore the dynamics between affordable housing

developments on private land or state land, developed for rental or ownership. Questions on why the development took a certain shape in terms of densities, integration, location and affordability can be explored.

Table 6.1. Case studies of affordable housing development

Case Study	Type of Developer	Types of Tenure	Size of Development (Number of Units)	Sample Size	Land Ownership
Case Study 1	Non-Profit Organisation	Mixed development (Rental and Ownership)	570	100	Private Owned
Case Study 2	Profit-Oriented Developer	Ownership	83	0	State Owned
Case Study 3	Profit-Oriented Developers	Mixed development (Rental and Ownership)	485	80	Private owned and State owned
Case Study 4	State Entity	Ownership	850	120	State owned
Case Study 5	Non-Profit Organisation	Rental	630	95	State owned

To ascertain the demographic profile of the beneficiaries of accommodation in these developments, a *household survey* was conducted. The study interviewed 395 respondents from four case studies; 100 respondents for case study 1, 80 respondents for case study 3, 120 respondents for case study 4 and 95 respondents for case study 5. Due to the tenure type and design of the development, the residents for case study 2 could not be reached. Depending on the size of the development, a random sample was collected using the systematic sampling method where every *n*th house was selected.

As indicated in chapter 4, the qualitative data were obtained from semi-structured interviews. It was anticipated that for each case study, the developer and the planning consultant were to be interviewed. However, five developers and four planning consultants were interviewed. Development 5 was taken over by the developer after planning approvals, hence it was impossible to track down the planning consultant who had been involved in the development. Table 6.2 below shows a description of the respondents for each case study.

Table 6.2: Case study respondents

Case Study	Respondent (Developer)	Respondent (Planning Consultant)
Case Study 1	Developer ₁	Planning Consultant ₁
Case Study 2	Developer ₂	Planning Consultant ₂
Case Study 3	Developer ₃	Planning Consultant ₃
Case Study 4	Developer ₄	Planning Consultant ₄
Case Study 5	Developer ₅	Planning Consultant ₅

6.3.2 Key informants from the state

Representatives of the state on policy formulation and implementation were interviewed. The sample comprised of six respondents from the City of Cape Town and three respondents from the Western Cape Provincial Department of Human Settlements. The roles and positions of the respondents are indicated in table 6.3 below.

Table 6.3: Profile of state policy makers and policy implementers

Respondent	Organisation	Designation	Department
CCT8	City of Cape Town	Manager	Land Acquisition and Disposals
CCT7	City of Cape Town	Manager	Land Disposals
CCT6	City of Cape Town (District Office)	Land Use Manager	Development Management
CCT5	City of Cape Town (District Office)	Land Use Manager	Development Management
CCT4	City of Cape Town	Senior Researcher	Transport and Urban Development Authority
CCT3	City of Cape Town	Social housing	Human Settlements
CCT2	City of Cape Town	Director	Urban Integration
CCT1	City of Cape Town	Manager	Urban integration
DHS3	Western Cape Department of Human Settlements	Director	Affordable Housing
DHS2	Western Cape Department of Human Settlements	Manager	Land and Asset Management
DHS1	Western Cape Department of Human Settlements	Director	Land and Asset Management

In addition, semi-structured interviews were conducted with key informants from a Non-Governmental Organisation who are housing activists and housing policy expert who

specialises in housing policy and financing. One respondent (Activist 1) who is a researcher was interviewed. One housing policy expert from a research institution (HPS1) was interviewed.

6.4 RESULTS FROM THE CASE STUDIES

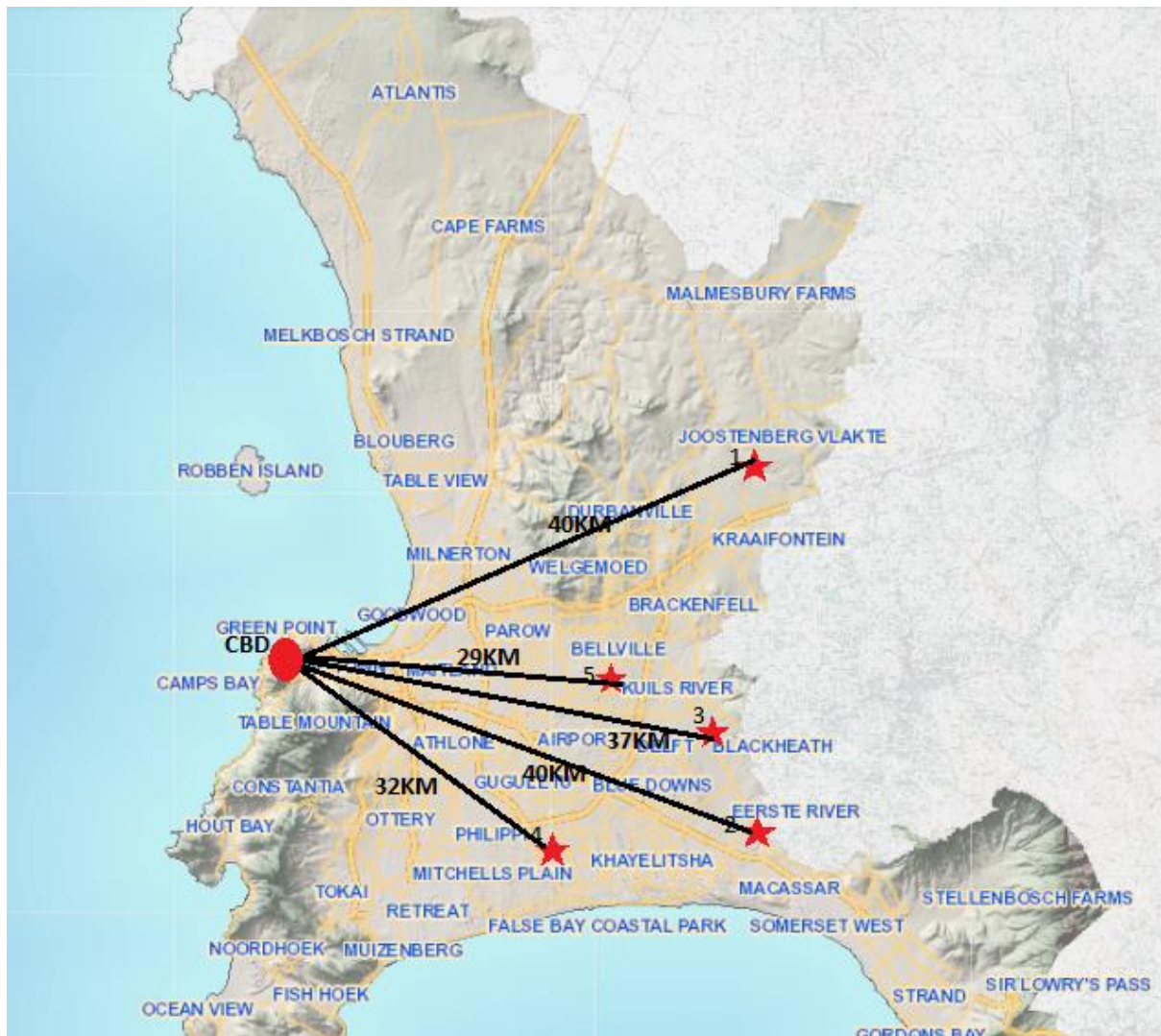
This section presents the results from the case studies. The data will be presented in terms of the conceptual framework; however, the terminology will differ to suit the type of data presented. The structural variables in the conceptual framework are rules, resources and ideologies. These will be discussed as the planning system and policy framework, resources for housing development and ideologies respectively. Agency are the roles, interests and strategies. While agency is not explicitly indicated in the discussions and analysis, it is what actors do as a result of structural variables. Actors actively constitute their interests as they perform and develop their roles. The five case studies are located in the City of Cape Town Metropolitan Municipality. Figure 6.1 shows the location of each development, and figure 6.2 shows the location of each development in relation to the CBD.

Figure 6.1: Location of developments



Source: Adapted from the City of Cape Town Map Viewer, 2017

Figure 6.2: Location of the developments in relation to the Cape Town CBD



Source: Adapted from the City of Cape Town Map Viewer, 2017

6.4.1 Case study 1

6.4.1.1 Overview of the development

Case study 1 is an integrated residential development by a non-profit organisation (NPO) on privately owned land. It is situated approximately 40 km from the Cape Town CBD. It comprises of government subsidised BNG housing, GAP/ FLISP housing, social housing and bonded housing. The development encompasses both rental and ownership tenure. Situated on 767 ha of privately-owned land in Fisantekraal, the development is designed to eventually accommodate 16 000 homes, schools, community facilities, public spaces and transport infrastructure. A total of 570 of the 868 BNG units have been developed thus far. Construction

of civil works started in January 2004, the building of phase 1 (868 BNG units) started in June 2014 and expected to be completed in October 2018. In terms of the policy framework, case study 1 was initiated in the period when the BNG was introduced and the revision of the individual housing subsidy programme. Construction began and was completed in period three after the revision of the housing code, the breaking new ground policy, the integrated residential development programme and the social housing programme were eminent in shaping the housing market. The individual housing subsidy (non-credit linked subsidy) was used for the first phase (BNG houses) of the development. Figure 6.3 and 6.4 show the BNG houses already developed in case study 1.

Figure 6.3: BNG Houses



Figure 6.4: BNG Houses



Source: Google Images, 2017

The development is a public-private partnership with the City of Cape Town and the developer. The developer is a non-profit company established in 1919. The developer is also involved in every aspect of the property market including retail, educational facilities, health facilities, retirement villages and other upmarket residential developments. According to developer 1, 'the company's main focus is on developing fully integrated housing on large tracts of land for the middle to lower income groups and its ideology is "to provide better housing and social conditions for all the people in the country"'. The company has about 25 employees and has three subsidiaries: the planning and administration arm of the group responsible for creating suburbs and their infrastructure; a development company which is the construction arm of the group and involved in both production and sustaining the quality of the buildings; and a foundation which is responsible for corporate social investment projects and public benefit activities. In addition, the developer operates a factory that manufactures a special block used for alternative building technologies in the affordable housing market.

The project took 8 years of planning before the actual construction started. The development took place in phases and the developer was involved in all aspects of the development with some specialist work subcontracted to planners and architects. The construction was done by the local population after intensive training on block laying. The other main role players were: The City of Cape Town as the regulator of land rights; the Department of Human Settlements (national and provincial) as the administrator of subsidies.

6.4.1.2 Profile of the beneficiaries

The demographic profile of the beneficiaries in terms of sex, income, race, education levels, employment status and number of beneficiaries are indicated in Table 6.4 to Table 6.7 below. The importance of these characteristics is to determine the success of the development in terms of diversity, integration, location and affordability. BNG units are family homes for people earning less than R3,500 per month, the beneficiaries should be over the age of 18 years and must be married, living with a partner or single with financial dependents. In terms of gender distribution, 61% are female and 38% are male with at least one dependent.

Table 6.4. Gender distribution

Sex					
			Sex		Total
			Male	Female	
Project	Case Study1	Count	38	61	99
		% within Project	38,4%	61,6%	100,0%

The level of education and employment status are expected to be contributory factors to the income levels. For example, 62% of the respondents have primary school education compared to 6% with a college or university qualification (Table 6.5). This is mirrored by a 69% unemployment rate compared to 24% who are employed (Table 6.6). About 60% of the respondents have no income other than government grants; while 37% earn below R3,500 per month and 3% earn between R3501 and R7,500 (Table 6.7). The difference between the unemployed and those earning below R3, 500 can be explained by the respondents who are dependent on government grants. Based on the premise that BNG housing is meant for beneficiaries earning less than R3, 500, incapable of contributing towards housing needs, evidence suggests that this development has been partly successfully in meeting the policy requirements.

Table 6.5: Level of education

		Highest Education					
		Highest Education					Total
		None	Primary Education	Secondary Education	College/University	Other	
Project	Count	2	62	26	6	0	96
Case Study 1	% within Project	2,1%	64,6%	27,1%	6,3%	0,0%	100,0%

Table 6.6: Employment status

		Employment Status				
		Employment Status				Total
		Unemployed	Self Employed	Public Sector	Private Sector	
Project	Count	69	7	5	16	97
Case Study 1	% within Project	71,1%	7,2%	5,2%	16,5%	100,0%

Table 6.7: Income levels

		Income Level in Rands						
		Income Level in Rands					Total	
		R0- R1500	R1501- R3500	R3501- R7500	R7501- R10000	R10001- R15000		R15000 and above
Project	Count	32	5	3	0	0	0	40
Case Study 1	% within Project	80,0%	12,5%	7,5%	0,0%	0,0%	0,0%	100,0%

Race, Income and tenure types are indicators for integration. Statistics on race show the highest percentage of the Coloured population at 58% followed by Africans at 38%, Indians at 2% and 1% of the White population (Table 6.8). This development has a fair representation of all racial groups. Income levels and tenure types are viewed from the approved proposed development which is a mixed housing development designed to eventually incorporate BNG housing, social housing and FLISP housing. While only BNG housing has been developed thus far, the eventual outcome will indicate a diversity on both rental and ownership; and different income levels in the same housing development. It is fairly integrated.

Table 6.8: Race

		Income Level in Rands						
		Income Level in Rands						Total
		R0- R1500	R1501- R3500	R3501- R7500	R7501- R10000	R10001- R15000	R15000 and above	
Project	Count	32	5	3	0	0	0	40
Case Study 1	% within Project	80,0%	12,5%	7,5%	0,0%	0,0%	0,0%	100,0%

Case study 1 is located approximately 40 km from the Cape Town Central Business District (CBD). Taking into cognisance that the first phase of the development is BNG housing targeting beneficiaries earning less than R3,500, it was indicated that 69% of the respondents were unemployed, therefore surviving on the informal market or government grants. It follows that the data on the places of employment is inconclusive. Ideally, the development is not well-located in relation to the Cape Town CBD, but it is not poorly located relative to other nodes such as Durbanville (8KM), Kraaifontein, Bellville and Stellenbosch.

The proposed development is designed to accommodate high density development and single residential plots. The current development is expected to be single residential plots as is the norm on BNG housing. Therefore, the eventual outcome of this development is a mixture of high and low densities. Data on affordability are inconclusive because there is no contribution made by the beneficiaries. However, even if the beneficiaries are not contributing towards rental or bond repayments, affordability is also determined by the ability to pay for services such as water and electricity.

6.4.1.3 The planning system and policy framework

The conceptual framework posits that the planning regulations impact on agency of developers regarding the location, density, integration and affordability of affordable housing. The planning system in its role of shaping, regulating and stimulating the market has a potentially great impact on the availability of land for affordable housing, in that there is an increased supply of affordable housing through planning permissions and that developers are encouraged through policy initiatives and development subsidies to build at appropriate densities and locations. Planning tools such as the Spatial Development Framework (SDF) and the urban edge are intended to provide authoritative information that may reduce uncertainty on the development potential of land. The urban edge concept is a tool used by municipalities to indicate areas of economic growth i.e. where new developments are

promoted thereby combating urban sprawl. Evidence from this study suggests that the urban edge and the guide plan area were amended to accommodate case study 1 which did not conform to the major planning tools of the municipality as indicated by planning consultant 1:

“I mean, we were outside the urban edge, so we had to amend the urban edge. We were outside the guide plan area, we had to amend the guide plan area. There was an amendment of the PSDF, the Provincial Spatial Development Framework”.

It is acknowledged that on one hand, the urban edge in certain instances increases the price of land and reduces affordability and on the other hand land outside the urban edge is cheaper and increases affordability. In this instance, land was available at the periphery and instead of counteracting the tendencies of developers to locate housing at the periphery, the planning system extended the urban edge. This raises questions about the application of planning rules in terms of market shaping, regulating and stimulating the affordable housing market; and the intention of the urban edge in curbing the tendencies of locating housing outside the urban edge away from economic opportunities and combating urban sprawl.

The regulatory framework is generally operated by the local authority, intending to restrict the choices available to developers. For example, the zoning scheme constrains the exercise of development rights within a certain zone, hence, a rezoning is required. In this case study, four applications were required prior to the granting of planning consent: Environmental Impact Assessment (EIA), Subdivision of Agricultural Land Act of 1970 (Act 70 of 1970), review of the SDF, amendment of the urban edge and guide area plan. Planning consultant 1 highlighted that it took two years to obtain consent from the Department of Agriculture, two and half years for the EIA Record of Decision and about three years to get municipal approvals. Furthermore, the municipal approvals could only be done after obtaining the EIA and Act 70 of 1970 approvals.

“This whole process had to be, started off within the EIA, Environment Impact Assessment. That process in itself took forever. It took two years to, to conclude. So that was a whole massive, of course all this was due to public participation. And every person had something to say about it, as usual. But the EIA that we had to go through was a very comprehensive EIA. As a consequence of that we found, the developer pays for everything, everything. And our client would tell you that there's a certain amount of money, subsidy available for the top structure, and they have to add in a substantial amount of money to make it. The land was zoned for agriculture. It was what we call a section 70 of 70 applications that you had to make and that was a long process. That took two-and-a-half years to get approval and clearance from the government. If you have any land because bearing in mind that this land was outside the urban edge and we applied to have the urban edge redefined to get in the urban edge. And any land that you have that is agricultural land you cannot

sub-divide it unless you have what's called section 70 of 70 applications. That took two-and-a-half years. And it literally took me to get in a plane and go to Pretoria".

Notwithstanding the importance of such processes, it is the lengthy processes associated with complying with regulations that increases the costs of development impacting on the affordability of the housing units. This is consistent with the studies done by FFC (2013) which found that a combination of land assembly problems, administrative and land-market inefficiencies and regulatory costs drive house prices up by 30 per cent on average.

Complying with the regulations is an essential part of the development process. Equally, planning regulations have included the requirements for environmental sustainability in housing developments. Evidence from this study suggests that the costs of complying with the regulations contribute immensely to the total project cost. Planning Consultant 1 highlighted that while the cost of conducting an EIA and other specialists' studies imposed financial burden on the developer, EIA also impacted on housing land supply:

"One of the specialists found, one day found one dead frog. As a consequence of that, that whole massive wetland had to be given up. We never found it over here, but it was apparently a very special frog. As a consequence, that area won't be used for housing in the future. I'm not saying it's a bad thing, I'm just noting that, when you go through an EIA process there are massive issues. We had to give up a huge amount of open space around this river system. And if you to, have a look at that river, there's never any water in it. It maybe that deep in winter, and maybe that wide. You can anyway jump over it. But we have given up maybe 2000 housing units.

I want development to happen. I can't get my head around the fact that there's people sitting out here on the pavement who don't have houses because we've got things like this. That we think that it's actually more important to look after a frog over there, than to provide a person who's squatting over there with a house. I want to keep Table Mountain, important wetlands, frogs and things, that's great. But there's a place for them, we have to be sensible. I mean, you're in the EIA, and it result in 25% of the land being given up and not being able to be used, sort of an issue in my life".

This implies that, if not exercised efficiently, the regulatory framework can influence the affordability and production of affordable housing. From this point of view, the regulatory framework imposed considerable strain on the developer in terms of the cost and extent of the development; as argued by Brueckner (2000) and Mayer and Sommerville (2000). Planning consultant 1 argued that even though there are reasonable justifications to the use of the National Environmental Management Act, it is somehow overstretched and implemented by anti-development minded individuals.

Under the zoning scheme, restrictions are exercised on the range of uses, building height, land coverage and densities that may be undertaken on a particular site. Evidence suggests that there is no clear interpretation of the zoning scheme, which in most cases the outcome is undesirable for affordable housing as indicated by developer 1.

“The challenge with density is that I have a different definition of density. And you have a different definition of density. The problem we have with government is that the interpretation of density is left with the individual person sitting on the other side of my table. So, when I have a town planner at the city, they interpret the densities not in terms of the book, they interpret the densities of what they want to see. This is a big problem and it’s not written anywhere in any books. We’ve got to, especially for affordable housing we’ve got to get away from this idea of what my interpretation is. It has got to be an interpretation that is for the greater good”.

What is clear in practice is that the planning system, that was originally intended to assist in providing affordable housing, has developed into a system marred with uncertainties. The key issue here is the extent to which the planning system acts in compelling the private sector to develop affordable housing at appropriate densities and locations at the same time incentivising the development of affordable housing to make it profitable. Thus, the scenario reflected above can conversely impact on the densities of affordable housing. Moreover, as suggested by Bertaud (2010), the unit cost of a development will decline as the number of floors increases as a result of scale and the fact that the fixed land cost is being divided into greater units. It follows that, for developers to achieve profitability, the development needs to achieve a much higher density per square meter in order to cover bulk infrastructure and land costs.

The success of the regulatory framework is based on the effectiveness of its implied and enacted regulations and the efficiency of enforcement. Another discourse that is central to the development of affordable housing is integration. Emanating from the housing policies, the evidence reveals that there are grey areas on what needs to be integrated. Evidence suggests that there is no clear definition from the authorities on what integration is in terms of affordable housing, leaving the room for different interpretations; and, there is no law to enforce integration of any form in the affordable housing market as indicated by developer 1:

“I don’t think the government knows what they have in mind to be quite honest. I think the government thinks that true integration and there are various schools in this, the one theory says you must have full integration whereby you have the rich living with the poor. And the other one is then the one that we do and that we adopt and think that that is a fair amount of integration. It’s to say that you have integration happening in your public open amenities, public open spaces and your public communities. That to us is the type of integration which we need”.

It can be argued that poor articulation and implementation of regulations is attributed to the levels of integration in case study 1. These findings are in line with Adams *et al.* (2005) who found that if the third party is left responsible for regulations may act in its own, narrower interests rather than in any collective or societal interest, or alternatively it may act in a partisan rather than neutral fashion. To achieve integration in terms of race and income, planning consultant 1 emphasises the need to have legislated law that enforces the policies:

“There's nothing in law that forces you to do it. So, ten years ago, when the ANC were in charge in Cape Town, they were in government in Cape Town at a municipal level. They tried to force people, for example golf courses that, to provide 20% low income housing in, you know, as part of the conditions of approval. But there were challenges that popped up, it's unconstitutional. There's nothing in law that requires it to happen. It's good planning. I mean, all the policies suggest that you should do that. So, there's nothing in law, right now if you want to you can go and rezone sub-divide and do what you want, there's nothing, nobody can tell you have to accommodate x number of units for low income housing”.

6.4.1.4 Resources for housing development

In terms of the conceptual framework, there are three factors of production namely: land, labour and capital. The conceptual framework identified land as one of the most important resources in the development of affordable housing. The cost of land is a function of its location, size, demand and development potential; and contributes to the affordability of the housing units. If land is available at a good location and at an affordable price, then developers are most likely to get involved in the development of affordable housing. In the case study analysed, the land was located at the urban periphery, outside the urban edge. The price of the land was cheaper because the land was zoned “Agriculture” and located next to an informal settlement as indicated by developer 1:

“Land was acquired a while back. It was acquired privately through a private farmer. Greenville is next to an existing informal settlement. And the informal settlement is known as Fisantekraal. It has always been there, and the land of Greenville is situated next to that. Obviously, the owner wanted to get rid of it at the time and we bought it like we buy any other tracks of land for a long-term view. So, we bought it with the intention of having it developed over the longer term. We are actively involved in what we term land banking. Because of the nature of our business. That is what we do.”

Evidence suggests that the cost of land influenced the developer's decision to develop affordable housing at that particular location on privately owned land. Without any government intervention to provide well-located affordable land, affordable housing is located where affordable land is found. These findings concur with Napier and Ntombela (2007) who found that this way of supplying housing through subsidies is premised on the state or private developers being able to acquire cheap and available land. Beneficiary choices about where

to be located cannot be easily factored into these projects since the location of available housing is then the location in which that household is able to access the state housing benefit.

The location of affordable housing is determined by land availability. In this study, the developer practises land banking and had other parcels of land that could have otherwise been used for affordable housing but chose this site because of the opportunity presented by the informal settlement. The city reviewed the spatial development framework and amended the urban edge because of the need for housing presented by the informal settlement. Developer 1 explained the choice for developing on this site given the other land parcels in the land bank.

“We have other sites available going forward but that is still in the longer term. But from our perspective this was an ideal opportunity. You have a huge pent up demand of the existing informal settlement, and when I say huge it’s massive. I mean if you can imagine that we are going to build about 5,000 to 7,000 units of BNG housing. And the same number of houses for gap and the same number of houses for bonded. It is not ideal for bonded housing at this stage. But we do believe as land becomes scarcer and scarcer inside the city this particular land will become more valuable as you go outside the city so to speak”.

This implies that both the developer and the city had the capacity to allocate alternative land in well-located areas for this development but did not do it. It can be argued that the principle of highest and best use employed by the developer on properties in the portfolio and the interest of the city to eradicate the informal settlement determined the location of this development. Technically, the city failed to curb the tendencies of developers to locate low income earners on the periphery. This concurs with Zille *et al.* (2008) who suggested that policies fail to achieve intended objectives because of the inability or failure of governments to influence or change institutions and rules of the game that define the operation of markets and their outcomes.

The state is expected to make well-located land available for the development of affordable housing. Effectively, the government is expected to establish the level of land required for affordable housing and frame these estimates within the acquisition time frames and the housing need. Contrary to this expectation, evidence suggests that the rate and the quantities of land released by the state has not matched the need for affordable housing. Developer 1 highlighted that the government owns huge parcels of land, and most of it is hardly made available for affordable housing:

“There is lots of land available for government. There is no political law to drive the process to make that land available to the people who can develop it. And unfortunately, developers have always been brushed with the same brush. They are unscrupulous profit makers, which is the definition of developers. So, when you go out there and the normal story, the city and the province go out and tender. That is the first thing that they do. Tender is not the ideal solution because what happens is you will find people that are tendering have ulterior motives to it. So yes, they will provide affordable housing but at what cost? And then they said no, they will make their money on other stuff. That’s fine but there is no real intent to provide affordable housing in the proper fashion. So, I still feel there is discussion need to be had with people who have had previous experience on this, and the government needs to make some concerted effort to find people that have got the right intentions”.

The location of affordable housing is influenced by the mismatch between the public land disposal frameworks which are not aligned with the housing needs. These findings reinforce the conclusions made by the FFC (2013) that the challenges in the affordable housing market were partly associated with the lack of well-located land, attributed to the lack of assembling of public land for affordable housing.

In relation to the above, the availability of land is further linked to the government procurement system. Evidence in this case study suggests that the government tendering system is not effective in ensuring that land is allocated to developers with the right motives. The issue here is that the poor location and affordability of affordable housing is exacerbated by ineffective land allocation methods. Importantly, the problem of the public land disposal framework that does not align with the ideological orientation of the developers as indicated by developer 1 above.

In terms of the second factor of production which is capital, financing for affordable housing is provided by the government through subsidies, financial institutions or equity. One common way for government to finance affordable housing is through direct subsidies. The availability of capital and funding mechanisms in form of state subsidies enables developers to realise profits while producing affordable housing stock. On the supply side, Developer₁ indicated that the state subsidy is inadequate to cover the costs of providing affordable housing:

“Affordable housing can only be done if there is money for it through the subsidy. So, if your subsidy is not increased in the last five years it is going to become increasingly difficult even for us to justify why I should be in that affordable housing market. If we as a non-profit company are saying why am I going through all these frustrations and I’m making a loss. I don’t have to make a profit out of it but at least I need to breakeven. And if I’m not even being able to breakeven then we’ve got a problem. So, the national government has been reluctant to increase the subsidy because they kept it constant for five years. It is just not possible. There must be some allowance for inflation to say the least”.

While the construction costs escalate continuously, the subsidy amount remained constant. These sentiments were echoed by HPS 1 who highlighted that: *“There is a quantum, which is the subsidy amount, which is published yearly. That amount should be updated regularly because of inflation figures but it doesn’t. It is below what it actually costs to build a house”*. The location, density and affordability of case study 1 can be attributed to the subsidy structure. It is insufficient to acquire well-located land and to build at higher densities to offset higher land costs. As much as there was a mismatch between the subsidy amount and the construction costs, in a mixed development like case study 1, bonded units cross subsidised the costs of the lower-end units enabling affordability. This is consistent with Ajayi (2012) who suggested that one of the challenges in the housing sector is the decline in the value of the subsidy in addition to the increase in the input costs of contractors. It is from this perspective that the outcomes in the affordable housing market can be associated with the funding mechanisms. Developer 1 lamented on the challenges faced when developing using a static subsidy.

In affordable housing development, labour is an important input. The cost of labour and construction costs are critical to attaining affordability. While land and capital are usually subsidised by the state, it is expected that the most cost-effective method of construction and building materials be used to minimise the construction costs and increase affordability. In fact, reducing the cost of building materials can be achieved by using alternative building materials, not inferior building materials. However, introducing alternative building materials is dependent on the building regulations and acceptance by the end user community. In the case study analysed, the building materials used (the block) were an alternative to the conventional brick and was manufactured in the factory owned by the developer. Despite taking a substantial amount of money and time to get the alternative materials approved by the SABS as highlighted by planning consultant 1, the aim was to reduce the construction costs:

“I mean, there’s a basket of materials that we are not allowed to use. They all need to be SABS accredited. To get SABS accreditation, takes a lot of money. The developer for this development they used, I’m sure they told you about the block. First world products, amazing products. You don’t even need to paint this. It’s got excellent acoustic properties. It’s excellent from a warmth and from a climate point of view. But it took a lot of money to get the accreditation, I can’t remember what it was. But to get their certificate took them a hundred of thousands of rand. So, there are lots of stumbling blocks in the system. To use alternative methods. Alternative methods aren’t necessary always better, but I think there needs to be a lot more opportunity for guys to be innovative in the way they build”.

Construction labour was provided by the local community who were trained by the developers into block layers, whereas; town planning and other specialist studies were outsourced to professionals and managed by internal managers. The strategies used can reduce the cost of

construction by using cheaper but good quality materials and eliminating the need to pay contractors thereby increasing the affordability of the houses and profits to the developer. According to the Banking Association of South Africa (BASA) in 2008, the high cost of labour and building materials are also contributing factors to lack of housing delivery in the affordable housing market.

The matter of who provides inputs for affordable housing development such as land, capital and infrastructure remain key to the conceptualisation of a development proposal on private land. Findings indicate that the state provides funding and infrastructure on state-owned land; and there are no mechanisms to support the development of BNG houses on private land. In relation to this, HPS 1 highlighted that: *“the Human Settlements Development Grant (which is used for various subsidies) from the province cannot be invested on private property because you are unfairly benefitting them. However, this money can also be used to purchase land. It does not only need to purchase or expropriate, but the government can also enter into various land agreements with private land owners to make this work. The Urban Settlements Development Grant for metros can be used for land or infrastructure”*. Deviating from the norm of developing BNG housing on state owned land to privately owned land posed both a policy and procedural challenge to the Department of Human Settlements. Even though a consensus was reached eventually, the delays contributed negatively to the total cost of the project and compromised the affordability of the housing units. Furthermore, developer 1 lamented about the challenges faced in getting the projected accepted by the Department of Human Settlements despite the dire need for housing in the country:

“There was no mechanism to provide housing on the scale that we want to provide housing for RDP purposes and for BNG purposes. There is no mechanism whereby you as a developer can provide BNG housing on private land and then having to transfer that land to the individual. So, we had to negotiate for two years, we had to negotiate with national government Department of Human Settlement at the time to get an understanding of how we bridge that gap in terms of the gap in the law and they then said we should apply your individual subsidy”.

Findings indicate a dearth of clear policies and procedures for covering bulk contributions and infrastructure development on private land. In terms of developing BNG houses on public land, the municipality funds the infrastructure. However, the Municipal Finance Management Act prohibits the use of public resources of ratepayers on private land. As indicated by developer 1, *“The costs incurred on services for the lower-income end-users will be passed on to the buyers in the bonded market”*. Through cross subsidisation, the costs accumulated in BNG houses are passed on to the FLISP and bonded housing end users, making it unaffordable. This implies that the government offers minimum support for BNG developments on private land.

6.4.1.5 Ideologies

Without the enforcement of planning regulations on integration, density and location, company ideology becomes the key determinant of these outcomes. In the case study analysed, the development was integrated in terms of race and income through a mixed-use development. Ideally, a development should be integrated in terms of race, income and tenure types. Developer₁'s ideology on integration is that integration of different income groups should happen in public facilities such as shopping centres, schools and public open spaces:

"We believe that the integration needs to happen in common places. So, your schools, your sports fields, your community facilities. That is where the integration really happens. In the 17,000 units, we do not have full integration where you have somebody earning less than R3, 500.00 next to somebody who is earning R20, 000.00. Because I don't think in practice it certainly doesn't work. But the facilities that they share like a shopping centre and schools and sporting facilities and community halls, those are common so that everybody parks, playgrounds for children. Those are places that were true integration takes place".

This is reflected in the spatial configuration of case study 1 where there will be enclaves of different housing typologies i.e. BNG housing, FLISP houses, social housing or bonded housing with shared public facilities. The key issue is the lack of guidance in defining what integration in affordable housing entails. It follows that, if there is no guidance by authorities in interpreting policy, policy would be interpreted to suit developer's ideologies leading to unintended outcomes. This further alludes to Adams *et al.* (2005) who cautioned on the dangers of leaving the interpretation of regulations to third parties.

Ideology is expected to influence the decisions made on location of affordable housing. Developer 1 argues that the urban edge is not a constraint for affordable housing development and that the location of land is directly related to its cost:

"I regard land values as certainly a constraint for affordable housing development. And everybody has been talking you know this is the problem. Everybody is talking about affordable housing and density in the Cape Town CBD. You are not going to be able to put affordable housing in the centre of town. If your values are way above what it should be why not capitalise on your values and make the most money out of that and put your affordable housing along your public transport modes. Because that is where your affordable housing should be. People don't mind living outside the city as long as you got good access to transport and we don't have it. So, we have this fixation that we must convert Tafelberg High School to housing. We must convert land in the city to housing. It is the wrong approach. I feel that you should rather sell those at the maximum price that you get, and you put the housing along the transport modes, on the assumption that your transport modes are efficient.

And our transport modes are by no means efficient. There is not a day that goes by that you hear the trains are late”.

Basing his arguments on the premise that land close to the city is expensive and therefore developing subsidised or affordable housing on it is not economically viable. Instead, expensive land should be allocated for the highest and best use and the proceeds from such a transaction be used to cross-subsidise housing investment elsewhere. Housing should be developed along public transport routes and the public transport system should be efficient and affordable. This implies that the location of affordable housing is not a great concern should there be efficient and affordable public transport. This ideology is validated by the choice of location of case study 1 which is located outside the urban edge and far from the CBD.

6.4.2 Case study 2

6.4.2.1 Overview of the development

Case study 2 is a development on state land. The land was owned by the Western Cape Department of Human Settlements. Through a tender process, Developer₂, a profit-oriented developer was assigned in 2015 to develop affordable housing targeting beneficiaries earning between R3, 501 to R15, 000. The development was intended for beneficiaries qualifying for the Finance Linked Individual Subsidy Programme (FLISP). The development consists of 83 -2 or 3-bedroom free standing housing on between 120m² to 150m² plots. Situated in Eerste Rivier, it is approximately 40 km from the CBD; and close to schools, shops and the public transport network. The project was launched in 2016 and completed in April 2018. In terms of policy framework, case study 2 was initiated and completed in period three after the Department of Human Settlements had revised the implementation strategy for the Finance Linked Individual Subsidy Programme and vested it with the NHFC in 2012. This was the period after the government has re-emphasised the importance of the gap market in 2012. Figure 6.5 and figure 6.6 show the housing development in case study 1.

Figure 6.5: Houses in case study 2



Source: Google images, 2018

Figure 6.6: Houses in case study 2



Source: Google images, 2018

The main role players were: The Department of Human Settlements as the land owner, the NHFC who distributed the subsidy; the City of Cape Town as the controller of land / development rights and; the developer who was involved in all aspects of the development from inception until completion. The developer is a private property development company which is a subsidiary of one of the largest property construction companies in South Africa. The construction company was formed in 1983 and the property development company was subsequently formed in 1991. The property development company specialises in providing housing solutions for the affordable housing market (GAP and FLISP sector). Other than housing developments, the company is also involved in commercial, retail and industrial developments. It employs about 1000 people with a professional team geared to handle sales, marketing and project management. The developments are distributed in South Africa and Namibia with the Western Cape as the largest beneficiary of housing in the affordable housing market. Developer 2 is involved in affordable housing for profit making, upliftment, providing housing, infrastructure and creating jobs. Developer 2 and planning consultant 2 were interviewed for this development.

6.4.2.2 Profile of the beneficiaries

As indicated in section 6.3 above, the demographic profile of beneficiaries for this development was not available due to challenges in accessing the beneficiaries. Based on the variables that could be easily ascertained, the location, density, integration and affordability of the project can be discussed. The density of the development was visually ascertained during the site visit. While racial integration could not be ascertained, information on tenure options was obtained during the interview with the developer. The selling price of the units as indicated on the developer's website was used in determining affordability.

At approximately 40 km from the Cape Town CBD, along the R102 route, it takes about 40 minutes to travel to the CBD on public transport. Ideally, affordable housing should be developed at least 15 km from the CBD and travel times should be less than 30 minutes. This implies that the development is not well-located in relation to the CBD. However, there are other business nodes in close proximity where one may assume some of the beneficiaries could be employed such as Blue downs, Khayelitsha, Mitchell`s Plain and Blackheath all within a radius of 15KM.

Observations from the site visit revealed that the houses are on single plots ranging from 120m² to 150m². The houses range between 42m² to 65m². Furthermore, according to developer 2, the City of Cape Town could not allow higher densities because of inadequate bulk services. It can be argued that the development could not attain higher densities due to lack of bulk services.

Affordability in this case is a function of the cost of the unit, the income group that qualifies for FLISP subsidy and the terms of the mortgage loan the beneficiary qualifies for. According to Developer₂, the units cost between R441, 673.00 and R744, 673.00. The affordable housing market consists of people earning between R3, 501 and R15, 000 per month. According to the Centre for Affordable Housing Finance in Africa (CAHF, 2017), in 2017, a newly-built house was estimated at about R392, 500, affordable to households earning R15, 000 per month. A R15, 000 per month household can afford a house of about R466, 000 with a total repayment of about R4, 500. This is the upper end of the income band, implying that the rest of the households (R3, 501-R14, 000) earn significantly below the threshold to afford a house in case study 2. Moreover, developer 2 also highlighted that about 20% of the units were subsidised through FLISP. This could be because most people in the gap market could not afford the units or were over indebted to access the mortgage loan. The development could have been more affordable to cover more affordable housing beneficiaries.

6.4.2.3 The planning system and policy framework

Based on the conceptual framework and theoretical predictions, the planning system and property market have rules that are expected to influence the location, density, affordability and integration of affordable housing. Findings indicate that as the regulator, the state imposes standards on building construction such as the sizes of the units, the finishes, the quality and quantity of the materials used to construct the units and engineering services. Developer₂ laments that:

“There is a real resistance from government side as well for us to sell houses that are smaller than 40 square metres, at that price, that house size, with the requirements and specifications as per the NHBRC and the land regulations you can’t sell for less than R425,000.00. There are alternative ways of doing things and keeping the same quality of product. At the end of the day we don’t want to put something in the ground that is going to deteriorate too quickly. So, there is scope to modify and change the specifications and standards. Because the City of Cape Town maintenance department, that look over our facilities and infrastructure after we have completed have no budget. So, they then force us to increase the specification beyond what one would normally do. Like with asphalt for roads they now want 40mm, but the standard is 30mm, so we ask why you want 40mm it cost so much more. They make it so much more expensive and they answered us well we don’t have a budget to maintain. So, people paying their rates and taxes, I pay my rates and taxes, so I don’t know what you do with the money. You should have a budget to maintain it and therefore 30mm should be sufficient because that is what you say the specification is and because I’m doing it at 30mm I can sell the house for R380,000.00 and now you want 40mm and I’ve got to sell it for R400,000.00. So, they do tend to lump their problems due to budget constraints onto the developer”.

While these standards may have beneficial outcomes to the end user, they have a significant impact on the costs of development. Often, the costs associated with high standards are passed on to the end user in form of high prices of units. In this case the price of the units is above what is recommended in the affordable housing market. These findings are in line with McGaffin and Royston (2013) who suggested that if the standards are excessive, and the consequent costs are too high, the development will not be feasible, and the development will not occur within the law.

Theory suggests that the planning system in its various guises has the most critical influence on the outcomes in the affordable housing market. However, housing programmes such as FLISP have an indirect impact on density. Evidence suggests that the FLISP subsidy may be used to buy an existing new or old residential property, a vacant serviced residential stand or build a residential property. Developer 2 indicated that:

“The beneficiaries are expectant of free-standing houses and introducing sectional title ownership can bring management and maintenance complications”.

HPS 1 highlighted that while the intentions of FLISP are great, it had been greatly misunderstood and unknown to the beneficiaries. She noted that: *“In theory FLISP is a fantastic programme. The only problem is that people do not know about it and it has been marketed in such a way that the focus has been on using FLISP on newly constructed free-standing houses as part of government projects. They should be using FLISP for households to buy on the resale market”.* These specifications set a precedent that FLISP houses should be free-standing or individually built on a single plot in a new development. It can be argued that the FLISP housing programme, by stipulating that it can

be used to buy or build a property, incited an expectation of freestanding houses, limiting the probability of increasing the densities. This impacted on the supply and affordability of units because greater residential density is associated with more units, thus lowering the cost of land per unit of housing. Rust (2006) interpreted some of the challenges in the affordable housing market as linked to the operation of the RDP/BNG housing strategy. She suggested that the effects of the housing strategy were manifold and have together impacted on the performance of the housing sector. For instance, the credit-linked subsidy never really worked leading to the delivery of RDP houses to the very bottom of the scale and non-development of housing that could have been affordable to the slightly higher scale. These findings concur with Bertaud (2009) who indicated that while government regulations, taxes and subsidies seldom have a spatial objective, their impact on densities and spatial dispersion is nevertheless usually important.

Theory suggests that regulations such as zoning, building controls and building regulations affect the housing market outcomes. Complying with the regulations was not a challenge for Developer₂ but the lengthy processes to get approvals delayed the construction and subsequently escalated the building costs. According to developer 2,

“The regulations are appropriate, the cumbersome processes to comply are inappropriate and frustrating, time consuming, and incompetent and people that don’t understand. The problem is and I will give you an example. On this project, we sell a house for R400, 000.00 approximately R100, 000.00 of that R400, 000.00 is government taxes. The NBHRC, the development contributions, plan approvals, all these processes and the requirements costs a fortune. 25% of the house price is government costs. So, it’s a big frustration which we’ve taken up with the authorities but then obviously time is money. Every month things get delayed its escalation and the house becomes more expensive. So, in affordable housing, if you need to get the price of a house down then you need to get the government, the City of Cape Town to come to the table and find ways to reduce those initial costs. There is a big difference for a house for R400, 000.00 and a house for R350, 000.00. The requirements are also submitted sequentially, meaning you have to wait for one stage to be approved before moving to the next stage. The details involved in the Site Development Plans are extraordinarily high detailed. In the end, the initial costs of the development were linked to obtaining approvals”.

This indicates that the aggregate effect of the regulatory process and delays on developments becomes an empirical question as there are financial implications both to the developer and end user in terms of high house prices. This finding is in line with Sommerville and Mayer (2000) who indicated that the implications of the regulatory delays are financial and time costs related.

6.4.2.4 Resources for housing development

Given the value of well-located land, the state is expected to mediate access to land equitably to manage the competing interests. Making state land available for affordable housing at an affordable cost is one way the government can penetrate the property market. In this case study, the Department of Human Settlements put out a tender and developer 2's proposal was the winning one. As underlined by developer 2, the developer did not purchase the land. Instead, the value of land was deducted as a subsidy from the selling price of the units:

"The Department of Human Settlements about three years ago put out a tender for a whole bunch of land that they owned predominately in the City of Cape Town for developers to come with proposals to develop the land and if you won the tender then they would provide you with the land, you develop on top of it and there is a value attached to the land which is market-related value and we take the selling price of that unit with the assumption that we had to buy the land and then we deduct the value of the land off the selling price and we sell the unit at that price. So, the land is R10, 000.00 and opportunity and we would normally sell the house at R400, 000.00 we now sell it for R390, 000.00". (Though this is for illustrative purposes, the actual figures are around R100, 000 opportunity costs and R300, 000 selling prices).

While this initiative influenced the costs of the units by reducing the cost of land, it also influenced the location of the development. The contention centres on the fact that locating an affordable housing development 37 km from the CBD along public transport routes may seem as a fair outcome internationally but is not necessarily the case in Cape Town. Burdening the gap market with transportation costs can prove to be more exclusionary than attaining the goal of spatial restructuring. However, in the face of land scarcity, the location of a development is determined by the availability of land and the cost thereof.

The state is in a strong position to regulate land through spatial planning, hence is expected to provide zoned and serviced land for affordable housing. Contrary to the expectation, serviced land with correct zoning for housing development is very scarce, making it costly. Historically, the city used to be actively involved in installing services such as roads, sewer and storm water drainage; however, according to developer 2, the norm nowadays is that the developer acquires land and services it himself. With the city having discharged itself from providing bulk services, the affordable housing market has become an increasingly expensive space for developers. The inability of the city to provide zoned land and services implies that the developer is subjected to increased costs of obtaining rights and installing services which have a negative impact on the affordability of housing product. Whitehead (2006) suggests

that the planning system can be used to achieve the goal of lower house prices by enabling land allocations in such a way to ensure affordable housing for particular groups.

Bulk services contributions refer to the fees paid by developers to the municipality towards the increased usage of any services offered by the municipality. Bringing in an extra community and increasing the bulk on site exerts pressure on the existing municipal infrastructure. Evidence from this study indicate that installing services on the site and paying the bulk services contribution drives up the cost of development up thereby reducing the affordability of the units. As much as the bulk contributions undoubtedly bring welfare to the community, it is the financial burden to the developers that might discourage them from participating in the affordable housing market, thereby, affecting the supply and affordability of housing. This finding is reinforced by a study by Urban-Econ (2010), which found that to develop a 20-unit townhouse complex on 0.8hectare site, a developer in Cape Town would be charged about R688 443, which is the third highest in the country. The challenge faced would be to produce a product affordable to the gap market at the same time realising the returns on investment. Closely linked to the availability of serviced land, is the capacity of the existing municipal services to sustain a big development. The type of development, density and the amount of people to be accommodated are directly related to the capacity of services in the area. Developer₂ noted that the densities approved by the municipality are in relation to the capacity of services in the area. Findings suggest that the densities for this development were constrained by the capacity of the municipal services; as explained by developer 2 below:

“The major challenge in not just this project but a whole bunch of our projects is capacity issues with the City of Cape Town. They don’t have capacity, sewer works and water networks. The infrastructure can be bulky. But because it is such a small project, they managed to accommodate ours. When it comes to affordable housing, although you may densify a site like that, you build up double stories or if you build semi-attached, these are free-standing houses. And again, you do those side by side, it depends on the location. We couldn’t densify that particular site much for that reason”.

This means that the developer incurs cost for installing services and bulk contribution; but is not guaranteed of the densities that brings back his return on investment. This challenge reinforces the findings by the FFC (2013), where the lack of bulk services capacity is a major constrain in the development of affordable housing.

The perceptions of high risk associated with the affordable housing market have created barriers for all participants; hence the government is expected to intervene to ensure affordability and profitability of the developments. Case study 2 had three sources of capital

namely bank financing, equity and the finance linked individual subsidy programme (FLISP). The FLISP subsidy is a government programme, extended to qualifying beneficiaries earning between R3, 501 and R15, 000. It is intended to reduce the initial mortgage loan amount or supplement the shortfall between the loan amount and the total house price. The subsidy amount depends on the income levels, ranging between R87, 000 for those earning R3, 501 to R20, 000 for those between R14, 901 and R15, 000. According to developer 2, bank finance is based on pre-sales and the developer cannot build without sufficient pre-sales; and at least 30% equity. Besides qualifying for a FLISP subsidy, the end user must qualify for a bank loan.

The lending criteria of financial institutions affected both the developer and the end-user. Evidence suggests that banks are committed to strict lending criteria which is not compatible with affordable housing beneficiaries and developers. From the developer's perspective, the cost of capital is impacted by increasing interest rates; and the delays of acquiring presales impacts on the cost of development. Acquiring finance both for the development and the end user is a challenge. The contentious issue is that without affordable funding mechanisms it is impossible to provide an affordable product; and if the end user cannot afford finance, they cannot acquire the product. This impacted on the profitability of the development and affordability of housing units. These findings concur with Suttner (2018) who stated that financial risks pushing up the cost of capital in the affordable housing market include difficulty in obtaining financing. Debt funding is a crucial aspect of creating sufficient returns to equity, and with stricter lending policies being implemented by the banks, it is harder for new developers to obtain funding to enter the market.

Theory suggests that the profitability of a development is a function of income generated by the development and the cost to develop it. In order to maximise the profits, the costs of development such as labour and material resources should be minimised. Despite developer 2 having an in-house construction company, all the construction work was outsourced to a contractor. The strategy to reduce the cost of construction impacted on the total cost of the development, and on the price of the units. Therefore, as Goodhall (1972) suggested, to maximise profits to a degree that is technically possible, the higher costs input factors will be substituted by lower cost input factors.

6.4.2.5 Ideologies

Theory predicts that ideology influences the actions of role players in the use of resources and interpretation of rules to achieve certain outcomes in affordable housing developments. According to developer 2, the company is interested in making profit, community upliftment,

providing housing, infrastructure and jobs. In terms of the location of affordable housing, developer 2 believes that affordable housing should ideally be located close to places of employment and other amenities. The Cape Town Central Business District (CBD) offers most employment opportunities. This implies that affordable housing should ideally be located in the CBD. Developer 2 acknowledges that the price of land in the CBD is exorbitantly high, therefore coming up with an affordable product and selling it at an affordable price is impossible; unless,

“When they probably give the land discount, or under certain conditions social housing in which case you will be able to bring the price of the houses or the units that you can sell in the inner city down. I can’t imagine that it is going to be a hell of a lot down, but it is going to be cheaper. Otherwise, without these interventions, we would put a project together now in the inner city that we would believe should be defined as affordable housing, but they start at R800, 000.00”.

Therefore, for developer 2, the strategy to develop affordable housing on state land made the affordable housing profitable due to the reduced price of land. More importantly, the definition of what is affordable would need clarity depending on the location.

6.4.3 Case study 3

6.4.3.1 Overview of the development

Case study 3 is a development on private land and state land. The development is a public-private partnership with the Department of Human Settlements, where the Department of Human Settlements made a small portion of state land adjacent to the privately-owned land available for the development of subsidised housing. The development is located in Kuilsriver and is designed to accommodate about 2 200 residential units for the middle income. Of which 485 units have been developed thus far. It is an integrated development ranging from residential apartments, subsidised houses, bonded houses, retirement village, retail and commercial facility. It offers different tenure types (rental and ownership options). According to Developer 3, the selling price for 2- and 3-bedroom apartments range from R430 000 to R720 000 and the rentals are between R4500 and R9000 monthly. The subsidised housing was to be like the other houses in the development although sold at subsidised prices to qualifying beneficiaries by the developer. Construction for the first phase of the development started in 2004 and was completed in 2007. In terms of policy framework, Case study 3 was initiated and completed in period two wherein, the breaking new ground policy and the social housing programme were eminent in shaping the housing market. There was no funding from the government, but the land was sold by the Department of Human Settlements at a subsidised cost.

Figure 6.7 and figure 6.8 show the development in case study 3.

Figure 6.7: Houses in case study 3



Source: Google Images, 2018

Figure 6.8: Apartments in case study 3



Source: Google Images, 2018

Developer 3 is a profit-oriented property development company formed in 1992 with an annual turnover of about R25 million. The company has about seven permanent employees and operates on an outsourcing model where all the construction work is outsourced to a contractor. Developer 3 focusses on all aspects of property development such as residential, retail and commercial projects but its main focus is in the middle to lower income residential sector. Developer 3 has been involved in the affordable housing market for about 25 years. According to Developer 3, the reason to operate in this sector compared to the higher income sector is because it is easier, and the risk is spread across various clientele. The company ideology is to provide enjoyable and safe living, working and shopping experience to the middle-income market. The company has countrywide operations.

The other main role players were: the Department of Human Settlements who provided a portion of state land for subsidised housing, the City of Cape Town as the regulator of development rights, the enforcer of bylaws and the guardian of environmental quality, the rate payers association who were actively involved in decisions regarding the type of development (the income groups to be accommodated), the development rights (density and height) and the type of buildings to be developed, the financial institutions who lend money to the beneficiaries and the home owners' association who represent the beneficiaries of the housing development and play an important role in the management of the housing development by upholding the Home Owners Association Constitution.

6.4.3.2 Profile of the beneficiaries

Three phases of the development have been completed so far, comprising of a total of 485 units. A total of 86 respondents from the apartments and houses were interviewed successfully. The demographic profile captured includes sex, age, income, race, education levels, employment status and number of dependents as indicated in Table 6.9 to Table 6.14 below. The development caters for the middle income and gap market which according to housing policy is those earning between R3, 500 and R15, 000 a month. In terms of sex, the ratio of male to female respondents was 67% and 33% respectively.

Table 6.9: Gender distribution

Sex					
			Sex		Total
			Male	Female	
Project	Case	Count	53	26	79
	Study 3	% within Project	67,1%	32,9%	100,0%

The level of education and employment levels are expected to be related to the income levels. In this instance, 36% have university/ college education, 56% have secondary education and the remainder has primary school education (Table 6.10). This is reflected by an 11% unemployment rate compared to the 89% who are employed (Table 6.11). The highest percentage of the population (35%) earn between R7,501 and R10,000, while 33% earn between R3,501 and R7,500 and 8% earn between R10,001 and R15,000 (Table 6.12). The percentage of those earning less than R3, 500 per month can be attributed to the combined incomes of partners, where one partner earns more to qualify the couple for a bond or to afford the rentals in this development. Based on the income groups accommodated, this development is partly successful because it caters for the affordable housing market earning between R3, 501 and R15, 000 per month.

Table 6.10: Education levels

Highest Education								
			Highest Education					Total
			None	Primary Education	Secondary Education	College/University	Other	
Project	Case	Count	0	3	44	28	3	78
	Study 3	% within Project	0,0%	3,8%	56,4%	35,9%	3,8%	100,0%

Table 6.11: Employment status

Employment Status							
			Employment Status				
			Unemployed	Self Employed	Public Sector	Private Sector	Total
Project	Case	Count	9	24	28	18	79
	study	% within	11,4%	30,4%	35,4%	22,8%	100,0%
	3	Project					

Table 6.12: Income levels

Income Level in Rands									
			Income Level in Rands						
			R0- R1500	R1501- R3500	R3501- R7500	R7501- R10000	R10001- R15000	R15000 and above	Total
Project	Case	Count	5	8	25	31	6	0	75
	study 3	% within	6,7%	10,7%	33,3%	41,3%	8,0%	0,0%	100,0%
		Project							

Integration is measured in terms of race, income and tenure types. In terms of race, data shows that 41% of the respondents are Coloured, 24% are African, 17% are White, 9% are Chinese, 5% are Indian and 4% identified themselves as “Other” as indicated in table 6.13. This development indicates a fairly integrated development.

Table 6.13: Race

Race									
			Race						
			Black	White	Coloured	Chinese	Indian	Other	Total
Project	Case	Count	19	13	32	7	4	3	78
	Study 3	% within	24,4%	16,7%	41,0%	9,0%	5,1%	3,8%	100,0%
		Project							

In terms of tenure options, 22% of the respondents have ownership tenure, while 32% are renting from the developer and 46% are renting from an owner as indicated in table 6.14. Evidence suggests that this development offers a diversity of tenure options from rental to ownership; and the option to purchase the property for rental purposes as indicated by the 46% renting from property owners. Due to the size, nature of this project and subsidies used, the statistics might not be a clear indication of integration, however, this development is fairly integrated in terms of tenure, race and income.

Table 6.14: Tenure options

Accommodation Status					
		Accommodation Status			Total
		Owner	Renting from the developer	Renting from an owner	
Project	Count	17	25	36	78
Case Study 3	% within Project	21,8%	32,1%	46,2%	100,0%

Case study 3 is located approximately 37 km from the Cape Town CBD. The highest percentage of the respondents (32%) work in the Cape Town CBD, followed by 17% who work in Bellville and smaller percentages in different nodes around the city. This means that the CBD is still the major employment node for this development. The development is well located relative to other nodes such as Bellville, Brackenfell and Blue downs, however, at 37 km compared to the maximum acceptable distance of 15 km, this development could be better located.

Visual observations suggest that the development encompasses single storey, double and 3-storey detached or semi-detached buildings. Furthermore, an interview with the developer 3 revealed that the Kuilsriver Rate Payers Association influenced the proposed densities of the development. The proposed double storey houses were reduced to single storeys and similarly, the apartments were reduced to either double storey or three floors. Consequently, the maximum densities in line with the municipal bylaws could not be attained. This implies that the development could have achieved higher densities.

Monthly rentals or bond repayments are indicators of affordability. Ideally, beneficiaries are expected to pay not more than 25% of their income towards housing. For example, in the R1, 501 to R3, 500 income group, the acceptable bond/ rental repayments are a minimum of R375 and a maximum of R875, however, the bond/ rental payments range between R3, 500 and R5, 500. This implies that beneficiaries in this income group are paying more than what is ideal, thereby diminishing the affordability of the units. In the R3, 501 to R7, 500 income group, the acceptable bond/rental repayments are a minimum of R875 and a maximum of R1, 875, however, the bond/ rental payments range between R3, 500 and R5, 500. This implies that the beneficiaries in this group are paying more than what they should be paying. Similarly, the beneficiaries in the R7, 501 to R10, 000 income group are expected to pay a minimum of R1, 875 and a maximum of R2, 500, however, the bond/ rental payments range between R3, 500

and R5, 500. This indicates that beneficiaries are paying more than what is expected in relation to their incomes. In the R10,001 to R15,000 income group, the acceptable rental/ bond repayments are a minimum of R2,500 and a maximum of R3,750, however, the rental/bond repayments range from R3,500 to R6,000 per month. This indicates that the beneficiaries are paying more than what they should be paying relative to their incomes. In terms of the definition of affordability, more than 25% contribution towards housing is an indication of financially stressed beneficiaries who are cutting down on other necessities such as quality education and food.

6.4.3.3 The planning system and policy framework

Theory suggests that planning regulations have a positive impact on the development of affordable housing. Evidence in this study suggest that the effects of planning regulations are prominent in acquiring zoning approvals, environmental authorisations, parking requirements and approval of building plans. Developer 3 lamented on the delays caused by lengthy and cumbersome processes associated with getting approvals at the city. He further highlighted the resources required to prepare high detailed plans such as the Site Development Plans. Planning consultant 3 revealed the extent of the cost implications associated with studies that are required during a zoning process such as EIA:

“It is really expensive for them to start. At that stage we might not even have the zoning approval. It’s initial planning. You appoint an environmentalist and he say, but you know, this is very visible development. It’s on a little slope, they’re going to ask for vision impact study. You appoint a visual specialist and the quote come in at 150 thousand Rands. Now we haven’t got zoning yet. There’s a little stream flowing 200 meters away. The environmentalist says, before you start, you’re going to get a fresh water specialist in because you’re close to that stream. And a botanist because there, it looks like it’s a little wet as well. So, you get two guys in, it’s another 150 thousand. But we haven’t got zoning yet. We’re still doing initial studies. So, we’re about two, R300 000, 00 away, and he doesn’t know if he’s going to continue with the project yet. Why I’m saying all that, it’s very expensive to the developer. If, as it is, without doing his social responsibility of providing for lower income areas as well. So, if that gets also burdened on him, and it’s too big, he’s definitely not going to develop. He’s going to move somewhere else or do something else, but he’s not going to take the risk, why bother about anything. It needs a very fine balance, and you’ve got to make it attractive for the developers, you know. They don’t all make millions. They need to make money.”

The studies and delays impose financial burden on developers striving to provide an affordable product. These delays contribute to the land holding costs and interest rates on bonds diminishing the affordability of the product. These findings affirm conclusions by Agarwal *et al.* (2013) who suggested that unlike in the “market” developments, where delays are

compensated for by price escalations, the business model of affordable housing developers relies on quick execution, so any delays are particularly detrimental.

In addition to the protracted delays in the development process, uncertainties in the decision-making process were a cause for concern. Planning consultant 3 highlighted the uncertainty in the decision-making process as the final decisions for big development applications such as housing developments are made at the highest political office at the municipality:

“We feel the city is overplaying its role a little bit, you know. I’m not going to mention names and so on, but it is definitely a problem. If you just look at the process where applications go before it gets approved, you know. Bigger ones, not smaller ones. We’ve now got a planning tribunal, but it doesn’t stop there. It needs to go right to the head of the metro. She can take any decision whatsoever. In many instances change the decision that all the professionals along the way has contributed. The final tribunal which comprises all professional people, contributed, can be overturned right in the end. That’s sometimes happens. I’m not saying that’s the only problem, it is tough. So, a long story, just to tell you that it’s, it’s not easy to, to force developers to do something different. They’ll do what they can to make things work.”

This undermines the contributions made by professionals along the way in implementing the planning rules and regulations. This implies that the developer after all the expenses associated with the application has no guarantee that the application can be approved. This is in line with FFC (2012) that highlighted that cumbersome planning approvals and negotiation processes increase uncertainty for the developer and the extension of the timeline, resulting in increased costs and reduced viability.

The regulatory framework should intervene in and shape the market to meet housing goals. Specifically, the broad goal of the planning and housing policies is to ensure the provision of well-located, integrated housing to members of society at a price they can afford. On the contrary, a disjuncture between policy intent and policy outcome is well pronounced in literature. Findings in this study further allude to the fact that the location, integration or density of case study 3 was not informed by any policy. There are no bylaws to enforce housing policy principles as highlighted by planning consultant 3:

“That was based on marketing input that the clients received and said, you know, we can sell that kind of house for so much. It feeds backs to what designers prepare and what the architect must design. There’s not really a housing policy involved. We had to comply with the zoning requirements, and the overall district plan, which gives guidance in terms of the broader principles, what you can do on the site. But it was meant for the development, so we were in line with everything.”

While policy framework cannot evade the underlying housing market influences, weaknesses in policy implementation are illuminated. These findings concur to Magni (2015) who observed that policy remains detached from how an urban land system functions in relation to land.

6.4.3.4 Resources for housing development

Theory suggests that land, labour and capital as the factors of production impact on affordable housing development. Government intervention through land use regulations is expected to improve the distribution of resources by making affordable land available for housing the gap market. Evidence shows that case study 3 was developed on private land, acquired by the developer in 1987 and was zoned Agriculture; and on state land that was released by the Department of Human Settlements upon negotiations with the Kuilsriver Ratepayers Association. This implies that land was acquired at such a low price that the development of affordable housing proved profitable. This asserts the importance of government intervention to curb the tendencies of markets to allocate land according to its highest and best use where one can extract the greatest value from using that space or the greatest value from developing it. As Napier (2008) suggests, affordable housing rarely extracts sufficient value, especially compared to luxury or commercial uses, to be able to bid competitively on well-located land. Hence, it has become a norm that affordable housing in South Africa is developed on state land or land that is located further away from the core (close to or outside the urban edge) to reduce the cost of land. The availability of affordable land determined the location of case study 3.

State interventions are expected to enable the provision of serviced land. According to developer 3, *“The city used to make an effort to provide infrastructure such as roads, storm-water and sewerage, however, the prevailing trend is that developers buy land and install infrastructure.”*

This drives up the costs of construction and then reduces the affordability of units. Likewise, the provision of serviced land is expected to be complimented with adequate municipal bulk infrastructure. However, the capacity of the municipal infrastructure and the cost of the development contributions were highlighted as key factors that enable or constrain the development of affordable housing. The capacity of services emerged as limiting the densities approved to a development. This was exacerbated by a lack of synergy between policy and policy implementation as highlighted by developer 3 below:

“City is an important role player because the city basically are the people that give you the development rights and if they are not going to play along with the development rights that you want

then you have a problem. One of the challenges with the city is the city wants to densify. And they talk densification. They're even doing it now, inner city densification. But there is a disconnect between the officials and the politicians in the city. So, the politicians talk densification and the officials say my services are overloaded, I haven't got services how am I going to densify. So, there is not synergy between the two, the politicians and the officials. So, there are challenges in services availability."

While the politicians advocate for densification, the professionals are challenged by a lack of services to sustain the required densities. Such a lack of coordination in the government has negative implications on the cost on developments because higher densities reduce the costs of development contributions and increases the profitability of the project; thus, making the project more affordable.

This study further reveals the dynamics of the "highest and best use" of a property not only from the developers' perspective but from the neighbourhood. The Kuilsriver Rate Payers Association played a major role in protecting and advancing the interests of the rate payers in the arena. Their concern was on controlling the proposed developments in the area by eliminating those that were believed not to be compatible with the neighbourhood. In a case of "not in my backyard syndrome" (*Nimbyism*), the rate payer's association determined what could be developed on that site, at what density and at what cost. These findings validate studies by Tsenkova and Witver (2001) who suggested that community opposition is a major challenge to affordable housing which can increase the timeline and costs or even prevent the development from materialising.

In that respect, it was noted that the rate payer's association influenced the acquisition of land owned by the Department of Human Settlements to be incorporated in the new development as highlighted by developer 3 below:

"They did because a piece of land on the other side here was owned by Human Settlements. So, the rate payers came to us and said we are worried that Human Settlements is going to put an RDP housing village right here. We will go with you to the minister and suggest that that land is integrated into your land and we signed a land agreement. We had to provide gap housing within that agreement which we've done, and the rate payers are happy because they didn't get an RDP housing development. It could also become a piece of school land to be honest. It worked well."

The acquisition of land owned by the Department of Human Settlements to develop gap housing indicates how *Nimbyism* contributed to the location of gap housing as a preferred option to accommodating the lowest income groups in BNG housing.

Theory suggests that planning regulations impose the density, height and floor area of buildings. Evidence in this study suggests that town planning regulations did not constrain the rights obtained. Instead, the rate payers' association influenced the acceptable densities for the neighbourhood as highlighted by developer 3:

“And it’s interesting because the first phase of this development which we drove past coming in the original design was double storey houses and these guys in the neighbourhood said no. Double storey houses we’re not having double storey, only single storey. So, they limited our development rights.”

Contrary to studies by Massyn *et al.* (2005) which suggest that “to achieve good profit margins in affordable housing, the development needs to attain a much higher density per square metre of available land, thus covering bulk infrastructure and land costs”, case study 3 could have achieved much higher densities. It can be argued that, due to the influence of the rate payer’s association, case study 3 could not attain maximum densities as proposed by the developer. This led to the developer losing profits, diminishing the affordability of the development.

In terms of capital, the government is expected to intervene in the facilitation of mortgage financing for the affordable housing market. Evidence in this study suggests that the economic cycles had an impact on the funding model of case study 3. Economic cycles are periods of economic fluctuation between periods of boom, recession, growth or expansion. This study found that developer 3 did not get state subsidies, but the land value was given to the purchaser as a subsidy. While most developers engage in the presales strategy, this development had no presales hence could not get bank financing, so the first phase was funded by investors and friends. The second phase was started during the 2006 economic boom and the banks were giving development loans, then, during the 2008 economic meltdown, the banks tightened the lending criteria and were not lending to both the developers and clients especially in the gap market. Funded through equity and debt funding, cross subsidisation was key to ensure affordability in the gap market. The implications of economic cycles on developers’ profits, and a lack of government subsidies affected the affordability of the units. These findings concur with Zille *et al.* (2008) who argued that in the property market, interest rate movements that arise in the capital markets directly affect the affordability of housing.

Labour (cost of construction) is a critical factor in the development of affordable housing. The profitability and affordability of a development is a function of the cost to develop it. In this

instance, developer 3 revealed that the company uses the outsourcing model where construction work is done by a contractor and has successfully contained the overheads. When outsourcing, the developer engages an independent building contractor to perform the construction work. From the developer's perspective, the model used to access labour and building materials was the most efficient way to reduce the total cost of a project. Thereby, increasing the affordability of the units.

6.4.3.5 Ideologies

Company ideology impacts on the decisions made and is reflected in the outcomes of affordable housing developments. Developer 3 believes that all developments should be inside the urban edge and the idea of perpetuating urban sprawl by buying agricultural land and developing housing is not ideal. For developer 3, if the land is outside the urban edge it should not be developed. Consequently, he advocates for densification and a change in mindset of the beneficiaries to move from freehold ownership to sectional title ownership. This ideology is reflected by the densities initially proposed in the development. The developer proposed higher densities, but the rate payer's association objected, and they settled for the densities now reflected in the development.

In terms of integration of race and income groups, developer 3 believes that, *"it is good and achievable; however, the barriers created by people should be dissipated"*. According to developer 3, they have succeeded in making the integration of race and income groups work in case study 3:

"They create a barrier because they think a guy that lives in a R300 000 house is inferior to the guy living in the R900 000 house. Simply because his house cost three times as much he is three times as better. It is not true. We see it here, we see people that live together, the kids play together, and they come from completely different walks of life. Some are teachers, some are government officials, some are house workers, some are managers of companies, and it works."

Firstly, the success of integration in this development is based on the basic rules people live by and obey. The home owner's association should have a good constitution, guidelines and management rules for the management of an integrated village. Secondly, the developer provided the same style and quality of houses for different income groups, ensuring that divisions are not perpetuated by the type and quality of houses. The assessment of the beneficiaries shows a fairly integrated community in terms of race and income groups and tenure.

6.4.4 Case study 4

6.4.4.1 Overview of the development

Situated on 15.17 ha of land in Mitchell's Plain, development 4 is a subsidy assisted housing development on state land. The land is owned by the City of Cape Town. The development comprises of 850 units (42m² single storey and 48m² double storey, 2 community facilities and 5 public open spaces) subsidised housing. The development was approved as part of a Greenfield application for 2 466 units. The average erf size is 110m² at a density of 60units/ha. The project took about 38 months to complete and all the work was sub contracted to contractors. The developer is the owner of the units and households pay off the top up loan for over a 25-year period. Construction of the units started in January 2013 and were completed in October 2015. In terms of policy framework, Case study 4 was initiated and completed in period three after the revision of the housing code, the re-emphasis of the gap market and the key policy such as the breaking new ground policy and programmes such as the integrated residential development programme and the social housing programme were eminent in shaping the housing market. The institutional subsidy was utilised. The institutional subsidy is usually acquired by social housing institutions to develop rental units. In this case it was used for ownership tenure option. Figure 6.9 and figure 6.10 show the development in case study 4.

Figure 6.9: Houses in case study 4



Figure 6.10: Houses in case study 4



The developer is a state entity founded in 1999. Developer 4 is an affordable housing developer and an accredited social housing institution that is owned by the National Housing

Finance Corporation. Initially formed as a partnership between the City of Cape Town and the National Housing Finance Corporation as delivery vehicle for affordable and subsidy housing, its aim was to gear the institutional form of National housing subsidy to achieve bigger and better quality of housing for qualifying beneficiaries. The company has about 18 full time employees and it operates mainly in the Western Cape Province where it holds substantial housing stock. It is active in the affordable housing market only, and its company ideology is to develop integrated settlements that include all the necessary land uses, house typologies and household income categories.

The main role players were the Department of Human Settlements who funded the units using the institutional housing subsidy (the institutional housing subsidy is used for rental housing but in this case it was used for ownership housing-a clear deviation from the policy framework), and the City of Cape Town who sold the land at a subsidised price to the developer. The City of Cape Town was the regulator of development rights, the enforcer of bylaws and the guardian of environmental quality. The city was also involved in the subsidy allocation process. The National Housing Finance Company made funding available to the developer as a top up loan. The NHFC was established by the National Department of Housing in 1996 to offer housing finance, project facilitation and technical assistance to private and public entities ensuring availability of housing stock for the target market. In the affordable housing sector, the NHFC adopts a role of financier, facilitator, and innovator to ensure viable housing finance solutions; growth of sustainable human settlements and mobilisation of relevant partnerships through enhanced insights and knowledge gained (www.nhfc.co.za). The development has a total of 850 units and 120 beneficiaries were successfully interviewed.

6.4.4.2 Profile of the beneficiaries

The demographic profile captured includes sex, income, race, education levels, employment status and number of dependents as indicated in Table 6.15 to Table 6.19 below. In terms of gender distribution, 36% are male and 64% are female.

Table 6.15: Gender distribution

			Sex		
			Sex		Total
			Male	Female	
Project	Case	Count	43	76	119
	study 4	% within Project	36,1%	63,9%	100,0%

The selection criteria of the beneficiaries were based partly on the capacity to repay the loan and on the income levels. This is indicated by a 100% employment rate, with 76% earning between R1,501 and R3,500 per month, while 21% earning between R3,501 and R7,500, and 2% earning R7,501-R10,000 as indicated in table 6.16. The income levels are reflected by the education levels. For example, all the beneficiaries have some form of education, but none have a college or university degree. As shown in table 6.17, the majority (81%) have secondary education, and 19% have primary school education. The difference between the upper cap of R6, 500 and those earning more can be attributed to a change in employment and salary scales after the selection stage. Evidence suggests that this development has been fairly successful in accommodating the intended beneficiaries in terms of the institutional subsidy.

Table 6.16: Employment status

Employment Status							
			Employment Status				Total
Project	Case	Count	Unemployed	Self Employed	Public Sector	Private Sector	
			0	0	7	106	113
	study	% within	0,0%	0,0%	6,2%	93,8%	100,0%
	4	Project					

Table 6.17: Education levels

Highest Education								
			Highest Education					Total
Project	Case	Count	None	Primary Education	Secondary Education	College/University	Other	
			0	22	96	0	0	118
	study	% within	0,0%	18,6%	81,4%	0,0%	0,0%	100,0%
	4	Project						

Table 6.18: Income levels

Income Level in Rands									
			Income Level in Rands						Total
Project	Case	Count	R0- R1500	R1501- R3500	R3501- R7500	R7501- R10000	R10001- R15000	R15000 and above	
			1	90	25	2	0	0	118
	study	% within	0,8%	76,3%	21,2%	1,7%	0,0%	0,0%	100,0%
		Project							

In terms of race, 25% of the respondents were African, 73% were Coloured and 2% were White as indicated in table 6.20. Since Mitchell's Plain was conceived as a Coloured suburb by the apartheid government, retaining 73% of the Coloured population as well as a mix of the White and African population indicates a fairly racially integrated development. Furthermore, this development is for ownership tenure and targeted beneficiaries in a certain income group, thereby lacking tenure and income diversity. However, due the size and nature of this development, the findings in terms of income and tenure might not be a clear representation of the integration dynamics.

Table 6.19: Race

			Race						
			Race						
			Black	White	Coloured	Chinese	Indian	Other	Total
Project	Case	Count	30	2	87	0	0	0	119
	study 4	% within Project	25,2%	1,7%	73,1%	0,0%	0,0%	0,0%	100,0%

Case study 4 is located approximately 32 km from Cape Town CBD. About 39% of the respondents work in Cape Town CBD, 18% in Mitchell's Plain and 13% in Wynberg. Mitchell's Plain is about 2, 6 km from case study 4 and has the strongest economic activity on the Cape Flats. Wynberg is about 20 km from case study 4 and is an economic node in the southern suburbs. The remaining 33% are split amongst various economic nodes. While the appropriate distance to travel to work is about 15 km, case study 4 could be better located in relation to the Cape Town CBD but is well-located in relation to other nodes.

In terms of the approved building plans, this development comprises of semi-detached and free-standing single storey units and semi-detached and free-standing double storey units. Appropriate densities are viewed in terms of horizontal and vertical space usage, diverting from single dwelling per plot. While this development accommodates semi-detached units, it has a substantial percentage of free standing single and double storey units. The maximum height is two floors. This development could have accommodated more units by increasing the number of floors and more detached units. Therefore, this development could have achieved higher densities.

The loan repayment amount is an indicator of affordability. It is expected that not more than 25% of the monthly income be spent towards housing. For example, in the R1, 501 to R3, 500 income group, the acceptable loan repayment is a minimum of R375 and a maximum of R875,

however, the loan repayments are between R1, 200 and R1, 400. This implies that the beneficiaries in this group are paying more than what they should be paying. In the R3, 501 to R7, 500 income group, the acceptable loan repayment is a minimum of R875 and a maximum of R1,875, however, the loan repayments range between R1,200 and R1,400. This means about 86% of the beneficiaries in the higher end of the income group are paying within the required range, enabling them to have more disposable income. In a similar fashion, in the R7,501 to R10,000 income group, the acceptable minimum loan repayments are a minimum of R1,875 and a maximum of R2,500; however, the loan repayments range between R1,300 and R1,400. In terms of our definition for affordability, the beneficiaries in this income group are spending the required percentage towards housing. It can be concluded that the loan repayments in this development are more affordable to the higher end of the income band while less affordable to the lower end.

6.4.4.3 The planning system and policy framework

Similar to the case studies above, the mechanisms of a regulatory framework can be enabling or restraining to the development of affordable housing. Developer 4 indicated that compliance with the regulatory was not a challenge, but the lengthy processes associated with approvals were cumbersome. He further suggested that the delays were exacerbated by the inflexible regulations and strained working relationships between the city officials and developers making it difficult to achieve a common goal. The lack of efficiency in the housing delivery process creates risks, contribute substantially to the development cost and have a negative impact on the affordability of the units. These findings concur with an analysis prepared for one of South Africa's largest affordable housing investment funds which suggests that it took almost double the time allowed for in regulations for a housing project to proceed from inception to bond application.

It has long been theorised that the regulatory framework impacts on height and density, the length and cost of the approval processes, the standard of infrastructure and the number of approvals required for a project. Findings in this study indicate that the interests of the developer influenced the outcomes in case study 4. Firstly, with semi-detached duplex units, the density, height and number of units provided were not informed by planning regulations but by the developer's property management model. In fact, the development was designed within the planning regulations, but the densities could have met the maximum permitted in that area. The developer collects loan repayments from the beneficiaries, so accommodating many people would cause a management challenge. Secondly, the development is in a gangster-prevalent area, so the challenges posed by gangsterism influenced the design and

density of the development. The design is in such a way that there are clusters of about 250 units, with a public open space and different architectural style to promote social cohesion as explained by planning consultant 4:

“So, we had these double units all the way along the line. The other interesting thing about this Village is that the, the client who owned the units for a long time. He essentially built the units and he lease them to owners, to you and me. You pay off over a period of time. Now, after 20 years, we’ve paid it off and it becomes our units. But in the mean while it’s owned by the developer. So, they have a vested interest in the development, and then they have to collect rent every month. In order to do that they told us that 800 units is a lot. Too many people, we can’t control 800 again. So, we came up with the idea with them to create freedom villages. Each village has a little open space in the middle of it. Each one has its own particular architectural style, and we use different colours, different roof designs, different patterns and other things to differentiate it. So, you live there, and you look after that. So, the theory is that these guys have a much better cohesion. But the problem is that the surrounding areas aren’t that nice. You know, they’re druggie areas and there it’s not happy. Mitchell’s Plain, it’s on the Cape Flats. In order to make their model work, this is what they believe works well. They’ve shown it to work well”.

This implies that, at 60 dwelling units per hectare and factoring in the capacity of services in the area, the developer held back on providing more housing units by increasing the height. It is clear that the responsiveness of developers to policy intent (densification), if not made clear from the onset, can be deterred by social or market dynamics. This concurs with Adams *et al.* (2012) who emphasised that developers are not necessarily policy driven-market and site constraints as well as development culture may be equally if not more influential in their decision making.

In similar fashion, the study shows the cost implications relating to building standards and regulations. Developer 4 highlighted that as much as the NHBRC and SANS regulations are necessary, there are the most cost contributors in the development. SANS10400XA is a piece of legislation that provides compliance with the requirements of the National Building Regulations in terms of energy use and energy efficiency:

“When SANS came in, three years ago, they have what they call, SANS energy regulations. So, they required that, if you had any hot water in your house, that 50% of that must come from an alternative, a renewable stable switch. That mandate us to put up a solar geyser. Now, a normal geyser will cost you R3 000, 00, here at Builder’s Warehouse. This geyser cost ten to R15 000, 00. On that is given subsidy, Eskom provides the rebate. They said, we’re going to give you R8 000, 00, right. At that time Eskom couldn’t give power for these lights, so, it disappeared. Eskom said, no, we didn’t take away the subsidy, we moved it to Department of Energy. We phone Department of Energy, no, it

was never moved to us. Now, you've put that requirement on us, but you don't give us money for that".

He further expressed concern about the energy efficiency requirements, citing additional costs of about R15,000 per unit; and lamented that the additional design requirements increase the cost of development while the subsidy amount remains constant; at the same time the subsidy requirements prohibits the developer from selling the product at a higher price. The affordability of the units is determined by cost of compliance and excessive standards which increases the prices or rentals of the units. Findings in this study are in line with Malpezzi and Mayo (1997) who suggested that the regulatory framework increase the price of finished housing directly through fees and indirectly by making the house production take longer or by imposing minimum standards, which leads to developers charging higher prices for finished housing.

6.4.4.4 Resources for housing development

Land is a necessary input to affordable housing development; therefore, the prices should be mediated by the state. In this instance, land was brought forth by the City of Cape Town at an affordable price. While access to land at a subsidised price is an incentive to provide affordable housing, it reduces the total cost of the project, thereby enabling the supply of housing at an affordable price:

"Well, land, it's a major component. If you have to purchase it at market value, it will cost you four million, worth. Especially, I can't speak for the rest of the country, but in Cape Town, you know, that land is very scarce. If we have to buy land at the market related price, the only thing that we do is we pass it on. So, if you want a house, its 200 thousand, now I have to buy market related for four hundred thousand".

Through its restructuring zones initiative, the city identifies land and proposes development opportunities. Restructuring zones are geographic areas identified by the local authority in concurrence with the Province, envisioned to be well-located and aligned with planning tools such as urban development zones (UDZs), urban renewal strategies, Integrated Development Plans, development nodes and corridors. While the availability of land determined the location of case study 4, one can argue that the city is in contempt with the principles of restructuring zones where developments should be well-located. The dissention can be attributed to the financial value of land over the social value of land. As Berrisford *et al.* (2008) suggested, "Municipalities in South Africa are often unwilling to support the development of well-located land for low-income groups due to the income (rates, services or land sale) foregone from

alternative higher value uses". If this is the case, then the poor location of housing developments can be attributed to conflicting interests of the main role players.

The availability of demand side and supply side funding is expected to determine whether housing needs can be translated into demand. Findings show that funding for construction and end-user was secured from the National Housing Finance Cooperation (NHFC) and government subsidies. The NHFC extended a development loan to the developer. The institutional subsidy provided capital grants to social housing institutions that develop and manage affordable rental housing outside the urban restructuring zones. In this case, the institutional subsidy was provided to a registered SHI for the development of housing for ownership. When asked about the flexibility in using the subsidies, HPS1 indicated that: *"it is a complex system but there is lots of innovation in it. There is lots of flexibility with the subsidy structure and people get around and build anyway. We have provinces that really do not play by the rules. There was an issue with a province that was not building BNG housing to spec- the BNG house should be 40m², one province was building 45m². The department was telling them to stop but they could not really stop the subsidy because they want delivery.* While the HSDG are used according to a particular housing programme as indicated in the National Housing Code, there are instances when provinces and municipalities have diverted from the rules.

Considered the catalyst for improving implementation at local level and for unlocking urban spatial transformation (improving spatial integration and densities in urban areas), the Urban Settlement Development Grant (USDG) was essentially meant to 'supplement eligible municipalities' capital investment programmes for infrastructure development directly linked to human settlements development planning and implementation (Department of Human Settlements, 2013). The institutional subsidy and the top-up development loan from NHFC were used for the development of top structures. The USDG was used for the provision of bulk infrastructure. The availability of supply side funding seemed to have reduced the cost of the development making it more affordable.

In addition to the government intervention on the supply side, the NHFC extended a loan to the developer, which was in turn accessed by beneficiaries as home loans. Households pay off the top up loan over a period of 25 years in +/- R1200 monthly instalment as in the purchase agreement to the developer who in turn pays it back to the NHFC. This innovative funding model was used to bridge the gap between the developers, beneficiaries and the financial institutions. The financial institutions have limitations extending credit to beneficiaries in this space as indicated by developer 4:

“The banks have always been afraid to play in this space, because of the risk. The credit risk that it carries, because traditionally people in that space are not credit worthy. The majority are not credit worthy.”

This is because financial institutions view affordable housing as high risk, making loans difficult to secure with high interest rates. The development costs and interest rates were minimised making the units more affordable. Consequently, minimised hurdles and delays associated with accessing finance contributed to the affordability of the units.

While the supply side funding is available, the demand side funding poses a huge challenge to developers because of the banks’ stringent lending criteria. Evidence suggests that most qualifying beneficiaries in terms of the Department of Human Settlements income bracket cannot afford a loan. Given a fully funded supply side, developer 4 faced challenges in finding suitable beneficiaries for development 4 as highlighted below:

“In this Village, we screened more than 8000 people to get to 849. So, yes, you have a long demand, but the people don’t qualify. The ones who pulls through are the ones who’ve been educated properly, and they understand the concept when they get out the other end.”

In South Africa, the National Credit Act of 2007 regulates lending by protecting over- indebted households from taking on debt that they cannot afford; and protecting financial institutions from default payments. The main concern is on the consequences of supplying an over-indebted market that cannot afford to take up the units.

The cost of a development is a function of various input factors such as land, building materials and labour. Combining these input factors efficiently is expected to increase profitability. While land and capital were subsidised by the state, developer 4 uses the outsourcing model for all the work relating to the development of the housing project; except for tenant screening, property management and rental collection which is done in-house. Developer 4 suggests that there might implications to project margins depending on how the projects are carried out, however, the company is not ready to deal with the risk associated handling labour and construction materials. The degree at which the input costs are reduced impacts on the affordability of a project.

6.4.4.5 Ideologies

Company ideology is expected to influence the decisions made regarding integration, location, density and affordability of affordable housing developments. Developer 4 believes that

integration is good and achievable, however, education in communal living is key. He further asserts that beneficiaries should begin to understand that there is no space to build free standing houses hence should appreciate the higher density living. This ideology is reflected in the densities and design of the development.

6.4.5 Case study 5

6.4.5.1 Overview of the development

Case study 5 is a social housing development situated in Belhar. It is a development on state land owned by the City of Cape Town. With three and four storeys walk-up units, the development comprises of 630 units designed to accommodate about 2000 people. The development was a partnership between the City of Cape Town and a social housing institution (developer 5). The development was initially initiated by the city and another social housing institution and there was a delay in the development due to a lack of bulk infrastructure. The social housing institution lost interest in pursuing the project because of escalations and increased development costs while the subsidies and salary scale had not increased at the time. Developer 5 took over the project from the construction stage (after the planning approvals), and it took 2 years to complete. The objective of the project was to provide well managed affordable accommodation to backyard dwellers. The target beneficiary group earns between R1, 501 and R15, 000. The project was launched in January 2015 and completed in 2017. In terms of policy framework, Case study 5 was initiated and completed in period three when the breaking new ground policy, the integrated residential development programme and the social housing programme were eminent in shaping the housing market and emphasis was on the gap market. This development utilised the institutional subsidy and the Restructuring Capital Grant. Figure 6.11 and figure 6.12 show the type of housing in case study 5.

Figure 6.11: Development in case study 5



Figure 6.12: Development in case study 5



Developer 5 is a registered non-profit (Section 21) social housing institution that was established in 2004. It was initially established to provide transitional and communal housing to Johannesburg's inner-city community and is well suited to an integrated development model that not only provides affordable decent housing for the poor but also invests in people's personal growth and development. The aim of the company is to provide clean, safe and affordable housing that fosters social development and promotes sustainable communities. Based on demand-side affordability, the company pioneered the stepped-up approach to housing which provides people with alternative housing options at different rental levels. The company has about 120 employees and the management, security and cleaning components are done in-house.

The main role players in the project were the City of Cape Town who provided the land and provided the services; the City of Cape Town as the regulator of development rights, the enforcer of bylaws and the guardian of environmental quality. The Department of Human Settlements who provided the institutional subsidy, the National Housing Finance Corporation offered housing finance, project facilitation, technical assistance; and the Social Housing Regulatory Authority who were responsible for accrediting the SHI, administering and disbursing the Restructuring Capital Grant (RCG), monitoring compliance with norms and standards through regular inspections.

6.4.5.2 Profile of the beneficiaries

The development has a total of 630 units and 97 respondents were interviewed successfully. The demographic profile of the respondents captured in terms of sex, income, race, education levels, employment status and number of dependents was scrutinised as indicated in table 6.20 to table 6.24 below. Social housing provides rental accommodation for beneficiaries earning between R1, 500 and R15, 000. The beneficiaries should be over the age of 18 years and must be married, living with a partner or single with financial dependents.

The gender distribution in terms of male and female was 49% and 47% respectively. All the respondents at least have one dependent.

Table 6.20: Gender distribution

		Sex		
		Sex		Total
		Male	Female	
Case study 5)	Count	47	49	96
	% within Project	49,0%	51,0%	100,0%

In this development, all the respondents have at least primary school education (25%), secondary education (62%) or a college or university degree (13%) as indicated in table 6.22. This is reflected by a 98% employment and 2% who are unemployed. The unemployed 2% could be a result of an unemployed spouse who participated in the survey since all the respondents have an income. The highest percentage of the respondents earn between R3,501 and R7,500 followed by 29% earning between R7,501 and R10,000 per month as indicated in table 6.24. Only 1% earn more than R15, 000. Based on the evidence, the development is fairly successful in accommodating social housing beneficiaries.

Table 6.21: Level of education

		Highest Education					
		Highest Education					Total
		None	Primary Education	Secondary Education	College/University	Other	
(Case study 5)	Count	0	24	60	12	0	96
	% within Project	0,0%	25,0%	62,5%	12,5%	0,0%	100,0%

Table 6.22: Employment status

		Employment Status				
		Employment Status				Total
		Unemployed	Self Employed	Public Sector	Private Sector	
Case	Count	2	7	19	66	94
study 5	% within Project	2,1%	7,4%	20,2%	70,2%	100,0%

Table 6.23: Income levels

		Income Level in Rands						Total
		Income Level in Rands						
		R0- R1500	R1501- R3500	R3501- R7500	R7501- R10000	R10001- R15000	R15000 and above	
Case	Count	4	13	49	28	0	1	95
study 5	% within Project	4,2%	13,7%	51,6%	29,5%	0,0%	1,1%	100,0%

Integration in housing developments is determined by race, tenure and income. In terms of race, 52% are coloured, 39% are African, 8% are White and 1% are Indian as indicated in table 6.24 below. This development is fairly integrated in terms of racial distribution. Social housing provides rental options for income between R1, 501 and R15, 000. While it accommodates a range of income groups, the development is not diverse in terms of tenure options.

Table 6.24: Race

		Race						Total
		Race						
		Black	White	Coloured	Chinese	Indian	Other	
Case	Count	37	8	50	0	1	0	96
study 5	% within Project	38,5%	8,3%	52,1%	0,0%	1,0%	0,0%	100,0%

Development 5 is located approximately 29 km from Cape Town CBD. About 41% of the respondents work in Cape Town CBD, 12% in Mitchell's Plain and 24% in Bellville. The remaining 23% are split among various economic nodes. While the appropriate distance to travel to work is about 15 km, Development 5 is not well-located in relation to the Cape Town

CBD but can be well-located in relation to other economic nodes such as Mitchell's Plain and Bellville.

Development 5 comprises of 3 and 4 storeys walk-up buildings. While density can be expressed by combining FAR, coverage and height, the surrounding neighbourhood can also influence the density. Ideally, 3 and 4 storeys walk-up buildings are considered appropriate densities in affordable housing. However, the horizontal space utilisation (coverage) can arguably been insufficiently utilised. The development is at fairly appropriate densities.

Affordability is measured in terms of the monthly rental payments. In order for a unit to be affordable, not more than 25% of the beneficiaries' monthly income should contribute towards housing. For example, assuming that the rentals are charged on a sliding scale according to income, the acceptable minimum rental to be paid in the R1, 501 to R3, 500 income group is R375, while the maximum is R875. However, the rental payments range from a minimum of R1, 836 to R3, 290. In this income group, the beneficiaries are paying more than what they should be paying in relation to their income levels. Similarly, in the R3, 501 to R7, 500 income group, rental repayments range from R1,836 to R4,000 while the acceptable minimum rental to be paid is R875 and maximum R1,875. In the R7, 501 to R10, 000 income group, the acceptable minimum rental is R1,875 and maximum rental to be paid is R2,500 but the minimum rental payments range between R1,500 and maximum R2,700. In this income group, about 97% of the group are paying acceptable rentals. This means that the higher end of the income band is paying rentals which are less than 25% of their income and the lower end of the income band is paying rentals that are more than 25% of their incomes leaving them with less disposable income for other needs.

6.4.5.3 The planning system and policy framework

The profitability of a development is a function of the income earned and the cost of construction. It is expected that the state intervenes by providing adequate funding and regulatory framework. This study found that the social housing industry is regulated by the housing and planning policy and legislation. The regulations relate to the rentals collected, the eviction of rental defaulting tenants and funding of the project. According to developer 5, the subsidy structure prescribes to the development of rental units only, limiting the chances of mixed housing typologies.

“Just remember that when someone doesn't pay in the social house effective that person is often times seen by the Rental Tribunal and the legal entities, as someone that's supposed to be assisted

beyond the normal assistance that one provides. And so it is riskier because you can have a whole room of people that doesn't pay rent for quite some time, not willing to move on their own and the whole process of getting them to the point where they understand if you don't pay rent you cannot stay here, because that is the cold hard-face. There is no institution that's financially strong enough to carry non-payers, not in this market".

This impacts on integration of different income groups and tenure types; at the same time impacting on affordability and profitability of the project because there is no cross-subsidisation. Furthermore, rentals are not linked to inflation and non-eviction of defaulting tenants threatens the expected revenue. This impacts on the integration and affordability of units.

The objectives of a planning system in housing development are expected to achieve different outcomes from which the market alone would support. Evidence suggests that the perceptions regarding the application and implementation of planning rules influenced the decisions made. For instance, when developer 5 took over the project, the land had all the planning approvals. Developer 5 emphasised that there were aspects of the development they wished to change, such as the densities of the development and the site development plan:

"So, it is not very dense. We couldn't change without causing further delays. We couldn't change the SDP of the project, so we're stuck to what we had. We made some minor adjustments in the features or the line of the units."

However, because of the company's previous experience dealing with planning matters at the City of Cape Town, a decision was made to keep the designs and avoid further delays. Thus, it can be argued that case study 5 could have been denser if the developer did not perceive the application of planning rules as cumbersome and full of delays. Furthermore, the development could have accommodated more beneficiaries, increasing the revenue thus making it more affordable.

6.4.5.4 Resources for housing development

The regulatory framework can be used to enforce the provision of affordable housing and to reduce the price of land provided. Evidence suggests that social housing is geared at achieving spatial integration and urban restructuring, at the same time providing affordable rental accommodation in declared restructuring zones. As such, the local authority identifies restructuring zones and partners with a social housing institution to provide affordable rental accommodation. Restructuring zones are geographic areas identified by the local authority in

concurrence with the province, envisioned to be well-located and aligned with planning tools such as urban development zones (UDZs), urban renewal strategies, integrated development plans, development nodes and corridors. In this study, land was made available by the City of Cape Town at a highly subsidised rate. The availability of affordable land in the restructuring zones determined the location of case study 5. Therefore, providing land at a subsidised price is an incentive to developers and ensures the long-term feasibility of a project. Developer 5 noted that: *“Subsidised land costs are critical to the feasibility of a social housing project because with the regulated rental caps (in terms of income bands), one cannot charge high rentals to cover operational costs.”*

The availability of land is as important to housing development as the availability of bulk services. This was emphasised in the Social Housing Act which states that: *“local governments are required to ensure access to land, municipal infrastructure and services for approved projects in the designated restructuring zones”*. Contrary to the Social Housing Act, it was revealed by developer 5 that the project was initially delayed for about 5 years due to inadequate bulk infrastructure:

“So, in this development, there was actually another social housing entity who was in negotiations with the city in terms of managing it and there was a delay on the development because of the bulk infrastructure to the project. And that remained the case for quite some time. At one point this developer lost interest in the project, maybe because of the fact that there have been some escalations and costs, the developing costs, however the grants, the RCG have not increased at that point yet and the salary scale did not increase at that point. And they lost interest in the project and we were approached by the city and they asked us whether we would take over the project. We took a bit of a risk, not knowing whether the minister would approve everything that we have asked and so we committed to the project. And we were fortunate that by the time the project was completed and almost fully tenanted those changes that we were hoping for did eventually happen.”

It is, however, ironic that the local authority identified land in a restructuring zone with no adequate bulk infrastructure. It is acknowledged that while the cost of installing bulk infrastructure has become more expensive for municipalities, affordable housing developments should attain higher densities to become profitable and affordable. In this instance, the development became unfeasible because of increased development costs caused by delays which could not be justified as the subsidy amount remained unchanged. Consequently, the developer decided not to pursue the project. Therefore, it can be argued that inadequate bulk infrastructure leads to delays and reduced capacity to sustain higher densities, consequently leading to increased costs of development and reduced affordability. This again supports the assertion that poor administration and a lack of bulk infrastructure poses a huge threat to the development of affordable housing. These findings were summed up by the FFC (2013) who suggested that:

“A 24-month delay increased development costs by 175%, which translated into an increase of 124% on the selling price from what was originally budgeted for the development. The interest cost per unit increased by 160% and the internal rate of return for the development (a critical factor for the availability of funding for future lending) declined by 70%. The increased costs contributed towards an increase in the selling price of the units (and thereby declining affordability) and reduced the capacity of the funds available to deliver more units, undermining the scale of delivery, and putting additional upward pressure on prices.”

Theory suggests that the state intervenes in the financing of affordable housing to ensure affordability and profitability. Evidence suggests that there were three state funding streams available for case study 5. Institutional subsidies were accessed from the Department of Human Settlements through the City of Cape Town; the Restructuring Capital Grant (RCG) was administered by the Social Housing Regulatory Authority and the National Housing Finance Cooperation (NHFC) provided project finance in relation to internal infrastructure development such as internal roads, electrical installations, and sewage and storm-water drainage. About 67% was state funding broken between institutional funding and RCG; while 23% was NHFC loan and the remaining 10% was equity. As much as the funding was available, it was the amount of the subsidy in relation to inflation rates that was a concern. Developer 5 noted that, while the construction costs increased, the RCG has remained static. Positively, there was a notable change in the household income band of beneficiaries from the upper cap of R7, 500 to R15, 000. However, the critical issue is the subsidy structure that threatened the viability of the projects and the affordability of housing units. It can be argued despite substantial level of government intervention; policy inflexibility and implementation rigidity are an obstacle to achieving affordability. This is in line with findings by FFC (2012) who suggested that the practical design and administration of housing grants often come with restrictions that limit the ability of provincial and local government to respond adequately to the needs of their communities.

The cost of construction is a function of the cost of materials and labour costs. While construction costs escalate continuously, and the subsidy amount remains static, the manner in which a project is executed impacts on the construction costs. Developer 5 used both an outsourcing and in-house strategy. Case study 5 was subcontracted to a contractor who handled all the construction related matters. Developer 5 noted that the advantages of outsourcing are related to the risk associated with delays and continuous escalation of materials. All the management, rental collections, cleaning, security and on-going maintenance are undertaken in-house. This is done to minimize the costs. Based on the

regulated rentals charged in the social housing schemes, minimising the labour related costs ensures an affordable, profitable and viable development.

6.4.5.5 Ideologies

Company ideology is expected to influence the way the developer perceives the rules, allocates resources and makes decisions in the development. Developer 5 is interested in providing clean, safe and affordable housing that fosters social development and promotes sustainable communities. The company emanated from a non-profit, faith-based organisation that provides a range of social services to Johannesburg inner city community. The company's background and ideology influenced the approach to dealing with building regulations. Developer 5 believed in providing quality, safe affordable housing. As much as developer 5 highlighted the cost implications of SANS energy regulations and fire escapes, he noted that there are not major implications but just alterations to provide a safe environment to the building. Further, quality building materials and finishes provides long term sustainability to the building. This ideology is validated by the affordability of the units:

“Where we always say you should not see the difference between social housing and affordable housing. That’s why we put in the granite countertop in the kitchen, because if Gogo takes the pot and puts it on a Formica and it burns a big hole in that then it needs to be replaced and the cost of doing so often is far outstretched going in with the right thing from day one. And I feel that the standard and the level at which we are producing these units, you know it is also a matter of dignity. I don’t want to feel like I’m living in a subsidised unit. A silly thing like a polystyrene Cornish at the top can create the impression of a well finished upper-class unit and it brings out something different out of the person as well and I don’t really see where people would ask for a relaxation.”

Theory predicts that ideology impacts on the allocation of resources for housing development. In fact, ideological perspectives of a developer determine the amount of resources such as land and capital brought forward to ensure good location and affordability of a housing development. Developer 5 argues that good location in affordable housing is determined by where beneficiaries want to stay. It does not necessarily have to be in the inner city. If it is out of the inner city, then necessary infrastructure such as an efficient public transport system should be provided. This implies that the location of affordable housing is not a matter of concern as long as there is efficient public transport system. The subject of contention is on the time and cost of transportation relative to the incomes. This ideology is validated by the location of case study 5.

6.5 RESULTS FROM INTERVIEWS WITH POLICY MAKERS AND POLICY IMPLEMENTERS

6.5.1 Overview of respondents

The interface between the state and the private sector is central to the discourse of affordable housing development. Central to this discourse is the failure to achieve the desired outcomes in terms of location, density, integration and affordability despite the notable financial investments and policy interventions by the state. The conceptual framework for this study suggests that the planning system, regulatory framework, policy framework, ideologies and factors of production owned by the state influence the decisions made in the public sector regarding the location, density, integration and affordability of affordable housing developments. While the factors of production owned by the state are mainly land and capital, the regulatory framework impacts on how they can allocate or acquire the factors of production. The ideologies relate to the political environment, philosophies and the general perception around affordable housing. In order to develop integrated affordable housing at appropriate locations and densities, evident commitment and buy-in is expected from the state. Furthermore, the state should own the factors of production (land) or have capital to acquire the required resources; and have a supportive and responsive framework for developing affordable housing. This section discusses the interaction of the policy implementers (planners at the City of Cape Town and the officials in the Western Cape Provincial Department of Human Settlements) and the structural elements that contribute to the current outcomes in the affordable housing market. Interviews with key informants in the Western Cape Provincial Department of Human Settlements (“DHS”) and the City of Cape Town (“CCT”) aimed to reveal the structural constraints or enablers in the provision of affordable housing. Views from housing activists (activist 1) are incorporated into this discussion.

6.5.2 The planning system and policy framework

The discourse of well-located, integrated, densified affordable housing development is central to the implementation of housing policy. The question remains at why then is there no greater development of integrated affordable housing at higher densities, appropriate locations despite such prescriptions in the policy framework? Findings in this study reveal that there is little communication between the national department (responsible for policy formulation) and the provincial departments (responsible for policy implementation). With no implementation

strategy and communication between departments, policy intentions may not be realised. Outcomes in terms of location, density, integration and affordability can be attributed to poor implementation of the housing policy. DHS 3 explained that:

“My feeling is that policies are formulated at national level, but they have very little grass root experience, they don’t know what we go through every day to implement the policy that they set. So, when they set that policy and they don’t even bother to consult us you create a stick to beat yourself with right. Because we cannot make it work, it doesn’t matter what you say, we cannot make it work, you haven’t consulted with the sector, and academic idea can often be a perfect idea until you need to implement it. So the FLISP, it was national governments intention that the implementation of the FLISP would happen centrally at the national housing finance corporation, but the national housing finance corporation is only based in Johannesburg, so you want to buy a house in Worcester but they are sitting in Johannesburg, there is no local person to help you. You have to phone them and speak to them and if you want to understand what the program is about you cannot come and phone because they are running it centrally, so that doesn’t work. On paper it sounded fantastic because you are conserving resources, but if they cannot even slide to do capacity training in the city because they don’t have money for it, then I will be serving their needs. So, it is that kind of dilemma, there is, in my opinion there is not enough consultation on the policies with the guys who actually implement them.”

Given the need for affordable housing and subsidy structures available, one expects a policy framework that gives impetus to all aspects of the affordable housing formula. Evidence in this study reveals that as much as there are housing policies on national level, there is no policy specifically guiding the provision of affordable housing. CCT 1 highlighted that the Inclusionary Housing Policy had the potential to guide the development of affordable housing but there was no traction from the national government, hence no traction at local level. He explained that, *“Policy is not usually binding, we need something legislated for affordable housing. We want to see a legislation for inclusionary zoning in our bylaws.”* Furthermore, in terms of land-use management, it was revealed that the planning system has no authority to enforce the inclusion of affordable housing in developments in appropriate locations. CCT 5 lamented that while they can argue in town planning terms for a mix in housing developments, there is no law to enforce it, so developers are not obligated to follow their suggestions:

“Because now for instance, this one we spoke about, the location is good, so the approval regarding the location will get approved, then the mix of units there we can’t, it’s tricky because there’s nothing really in law that we must insist on a couple of units that are smaller and cheaper”.

Similarly, activist 1 lamented the plight that city officials face when working without binding regulations. He noted that

“There is fear amongst administration. If administration is seen to be innovative and then they get taken to court, they would get into massive trouble. So, without laws, what they need are politicians who actually offer them protection. The politician stands and says enough is enough. We have to start doing this. We have to start negotiating for contributions and we will provide cover”.

Though the Spatial Planning and Land Use Management Act of 2013 has given impetus to affordable housing, without adequate policy instruments to drive the development of affordable housing, the regulatory system fails to compel the private sector to engage the affordable housing market and curb the tendencies of developing affordable housing at inappropriate densities and locations.

The mechanisms of a policy framework are expected to be enabling to the development of affordable housing. While land is key in the development of affordable housing, the Department of Human Settlements funding mechanisms (except for FLISP) are limited to state land only. Findings reveal that the Department of Human Settlements has no mechanisms to fund the development of BNG housing on privately owned land DHS 1 explained that:

“It’s just a matter of security, security on investment especially if you spend public funds, taxpayer’s moneys on improving private land. So, before we want to do that, we need to put measures in place which will protect t our investment in the private land because you know, any improvement into immovable property accedes to the owner of that property”.

Financial institutions have reservations funding developments on state land. CCT 3 highlighted that SHIs face challenges to access financing from financial institutions on state land of less than 50-year leases because of the associated risk. The lack of mechanisms to invest on private land is exacerbated by the legislative restrictions of the Public Finance Management Act (1 of 1999) (PFMA) which covers financial management in the national and provincial spheres. The impasse between the private sector and the state on resource ownership and rules guiding the use of such resources contributes to the mismatch between the demand and supply of affordable housing at appropriate locations and densities.

The local authorities are expected to ensure that there is an adequate supply of land for housing in the area. Through its market shaping tools, the planning system is expected to allocate land for affordable housing. Evidence suggests land is allocated for all other housing categories except for affordable housing. In fact, affordable housing is not specifically categorised in the Metropolitan Spatial Development Framework. As highlighted by CCT 3,

“There is no land allocated for future affordable housing developments in the Metropolitan Spatial Development Framework. Affordable housing falls under the middle-income category”.

CCT 7 concurred that the biggest challenge is that they do not have a definition for affordable housing, and they have no guidance on how to release land for affordable housing. She highlighted that: *“releasing land is long but guided. But when it comes to the mucky space of housing, it’s difficult to fit into those streams and what needs to apply. We need guidance from the national government on affordable housing, the same guidelines we have for social housing, low cost and market housing”.* However, in terms of the Social Housing Policy, land for social housing is allocated through the restructuring zones. Furthermore, there is no evidence in this study to suggest that the land-use management system is prioritising affordable housing development applications by providing flexible and preferential procedures. When asked if there are different procedures for market developments and affordable housing, CCT 6 highlighted that applications for social housing are treated the same as market applications:

“Technically not, because there is minor difference, like we need to take into consideration what kind of zoning we will assign to social housing development because the normal single residential zoning; one single one zoning that can be a bit prohibiting. We consider what they want to do and what scale they want to do it and more often than not where it is a large-scale development, they would have to rezone the land parcel from general residential one to six subzone and in each of the sub zones you get different development parameters. Like I said earlier, you cannot depart from floor space and heights; so, you have to rezone to the next sub zone”.

Asked whether affordable housing followed the same approval process it was found that all development applications followed the same procedure and the most delays are experienced if there are objections during the public participation process and the application goes for appeal. CCT 5 highlighted that *“one of the delays is actually getting all the internal departments to comment, so that often provides a bit of delays, then if there are objections from the public participation, then we refer back to the applicant to get comments and then they come back to us, sometimes they also sit on it, you know, but anyway eventually they come back, then the case officer must schedule doing the report, but sometimes they’ve got a whole list of reports, so they must fall in line. The processes all take time”.*

These findings raise important issues on the role of the planning system in delivering affordable housing. In this instance, the impact of planning on housing supply is on ensuring appropriate locations and densities. As Monk and Whitehead (1999) suggested, the system of allocating land for housing purposes actually defines the framework for negotiation and mediation from the national level through the provincial and local level.

In addition, the regulatory framework is expected to be responsive to housing needs. There is no evidence to suggest that there are planning related interventions to facilitate the development of affordable housing at appropriate locations and densities. For instance, the rhetoric on densification is supported by the city's densification policy, but there are no incentives to leverage development at higher densities as highlighted by CCT 2:

"We don't have legislation for inclusionary housing policy, so that is a source for resistance. We are looking at density incentives, but we haven't progressed far, but we want to assist developers as they go up as costs get high".

Similarly, requirements for affordable housing, like inclusionary zoning that require the private sector to provide a proportion of a development as affordable housing; or contribute towards the development of affordable housing at an alternate site are rarely implemented. The main concern is on the capacity of local planners to capture effectively planning gains to finance affordable housing. Activist 1 suggests that developers need certainty in attending to housing needs, and the current legislative framework is lacking in that sense:

"Certainty is the most important thing in development because time is money and these guys leverage money so crazy that one month can be hundreds of thousands, some million rand lost. They don't want their development stopped halfway or taken to court it will bankrupt them. What is missing is a policy that tells them, if you do X amount of housing your contribution is Y and it is calculated like this. This is the kind of housing we want to build. These are the institutions which will manage the housing, all that kind of stuff right. Because they need to do their sums before they go to the bank".

What is clear is that the planning system is weak on implementing rules and incentivising the development of affordable housing at appropriate densities and location. These findings concur with Harrison *et al.* (2008) who suggested that land-use regulatory system does make demands on developers, thus South African land-use management sits in a rather ambiguous position in relation to the market: there are claims of too much control, but outcomes are largely in accordance with the market.

Findings indicate that, while the regulatory framework allocates land required for affordable housing, the financial contributions depend on the capacity, experience and expertise to negotiate with experienced developers. City of Cape Town officials (CCT 4) admitted to limitations with regarding property economics, property finance and aspects of land markets; thereby failing to fully optimise the regulatory tools and opportunities at their disposal:

“As the City, we need to understand the economic and financial side of development better in order to leverage incentives better and get what we want from developers. We don’t have the same approach. We need to change the way we engage developers.”

It is for this reason that planning interventions are not implemented to shape the affordable housing market in terms of location and densities. These findings are affirmed by Adams and Tiesdell’s call (2010) for planners to essentially see themselves as market role players intricately involved in framing and reframing the local land and property markets.

6.5.3 Resources for housing development

Land is a key resource owned by the government and an important cost component in the housing delivery formula. The question of how much land is owned by the Government and the City of Cape Town and how much of that land is developable or protected has been difficult to ascertain. An interview with the Property Management Department – Acquisitions and Disposals at the City of Cape Town revealed that the City has a significant portfolio of land in the CBD and other economic nodes. CCT 8 highlighted that: *“We have quite a big portfolio of properties that we don’t require that came to the city by default. These can be open spaces or industrial sites. We have quite an abundance of land, though sometimes it’s not big or good enough”*. CCT 7 concurred that: *“There are high levels of land in various nodes though sometimes it is not viable. On a similar question, the Department of Human Settlements indicated the availability of land but not specific quantities as lamented by DHS 3:” Look there is a lot of land but we have embarked on a land release program, so we have released quite a bit, portions of land and we busy doing catalytic projects and those kinds of things”*. While the actual quantum could not be ascertained, this implies that the city and the province owned a significant amount of land.

The State is expected to use public holdings or the acquisition of private land to provide well-located affordable housing. Findings indicate that, despite the city and the DHS owning a substantial amount of land, there are constraints hindering its release to match the demand in the affordable housing market. DHS 1 noted that *“there is no clear strategy to release land for affordable housing within the Department of Human Settlements, it is however done in line with the housing chapter in the municipal IDP”*. At the City of Cape Town there is no policy that enables the disposal of land to the affordable housing market at a subsidised cost. CCT 7 noted that *“The Municipal Asset Transfer Regulations (2008) (MATR) which regulates the transfer and disposal of municipal assets, indicates that it’s not applicable for housing the poor. Land is to be disposed at a competitive price. It’s not applicable when driving the housing agenda”*. While land is available, there lacks guidance on how to release it for affordable housing thereby impacting on the scale and pace of affordable housing development. CCT 3 noted that *“the city has mechanisms for making land available to social housing*

developers at a discount or on a leasehold". However, land is made available to developers whose objectives are aligned with the city, thereby making land available to social housing institutions only. When land is released to social housing institutions only, there is a bias towards the rental market, and the ownership market remain un-serviced; and other developers not participating in the affordable housing market. This is in line with FFC (2013) who found that although up to 70,000 hectares of land have been identified for housing developments, none have been made for this purpose.

The state is expected to intervene to make land available the affordable housing market. Evidence suggests that the State views land as a valuable resource, as such the highest and best use of land is considered when allocating land for various activities. This study revealed that before allocating land for affordable housing, the Department of Human Settlements considers the value of land before and after improvements, the risk associated with issuing prime land and the revenue generated. DHS 3 raised two main concerns regarding land values: firstly, is providing affordable housing at a prime piece of land better than providing market related accommodation and using the funds to provide affordable housing elsewhere? Secondly, beneficiaries are most likely to sell the units on prime land at a higher price and move to cheaper places as highlighted below:

"But then also to add a value to that land, it is easy to say just give all the land away, right? But I will give you an example, the province has got a piece of land that is worth R92 000.00 a square meter if you go higher density right, so now I give it to you for free, R92 000.00 a square meter, a flat in that area would cost you between 3 and R4 000 000.00 right, are you going to keep it or you going to sell it tomorrow and go buy yourself 10 mansions in Goodwood? Exactly but so you have now got your flat at the waterfront, but you get a house in Delft how fair is that? So should the state be using its land strategically into the lives to equally, for example if I then sell the land at the waterfront or the land at Canal Walk, we build units there, but we rent it out to the private market? At R8 500.00 a month we put into a kitty and we build accommodation in an area that is not Canal walk but it not bad either and it enables us to build three or four hundred units a year elsewhere. So, is the utilisation of land, best utilisation of land, was it really to build affordable housing at that point or was it to use as an income generating mechanism to build hundreds of social housing rental units or affordable units elsewhere".

CCT 3 noted that, *"as much as the City is making land available for social housing there has been no impetus to release well-located land until recently when location has become a priority in trying to redress the spatial form of housing"*.

While the state evaluates the risk and financial value of land, the end result has been affordable housing that is located at the periphery where land is cheaper and large

quantities of affordable housing could be provided. These findings are not in accordance with the recommendation by McGaffin and Kihato (2013) who suggested that given the existing historical patterns of exclusion, a critical priority of government should be those who are excluded from accessing well-located land with economic potential. A related concern is on the relationship between the value of land and the related property taxes, and, viability versus affordability. DHS 3 noted that the location of affordable housing for ownership should be in line with affordability of beneficiaries since beneficiaries might not be able to afford the rates and taxes associated with well-located properties:

“I think we need to distinguish between well-located housing and ownership in well-located areas, and ownership is not the ultimate response to poverty. It can even be a poverty trap. Where you provide ownership must be in line with affordability and it might be feasible for government to provide rental housing in well-located areas and thereby empowering people to become independent and being able to afford to buy where they can afford. Just an example, if we sell a property so somebody, we try to or we were looking at the Chris Barnard Hospital, to buy that and to convert that into affordable housing. Just the conversion I think we have related the cost and we’ve estimated it will be about R 1.5 million per unit of forty square metres and that is now way too expensive. Do you have to spend so much money on giving one person a house in the city and I have experienced also that people are very tempted to capitalise, sell it and then they go buy there, so they can have more cash. But even if you give it to them, the rates on a R1 500 000 income properties, the rates, they won’t get rebate on that. The rates would be in the region of about R600.00, R700.00 a month, that’s now really conservatively. But that kind of expenses on a person earning R6 000.00, R7 000.00 and that, it’s not affordable housing really. So, we can give him the property at discount, but the cost afterwards could make it not feasible, not sustainable, so we will have, continually have to subsidise”.

This implies that the DHS is faced with a predicament of where to locate the gap market because of the cost of land and related taxes which is further constrained by the affordability of beneficiaries leaving the DHS with more costs of further subsidising the units. If this is the case, then the impact is on the location, density and tenure types of affordable housing developments. Houses for ownership are most likely be allocated land at the periphery to avoid the unaffordable rates and taxes, while rental housing is in well-located areas. This is in line with SACN (2018) who suggest that municipalities are under pressure to generate revenue using their available assets, including land; for instance, affordable housing in the city centre may be a socially desirable use of land, but it conflicts with the income generating ability of that piece of land.

The state is expected to have mechanisms to successfully disburse supply-side and demand-side subsidies. On the demand-side, findings indicate that the Department of Human Settlements is the main provider of housing subsidies, however, there is need for collaboration

with the private sector to successfully provide affordable housing at appropriate densities and location. While the Department of Human Settlements provide demand-side subsidies to increase income to households, the beneficiaries cannot afford bank loans. DHS 3 explains,

“Look I think the biggest challenges are affordability and in the last few years I spent a lot of energy trying to convince the banks to relax their conditions and shouting at the banks about not wanting to give affordable housing beneficiary an opportunity, but then you realise that 1 in 10 people are getting approved at the bank, and that, we are seeing that 46 to 48% of South Africans are in arrears. We are seeing that 86% of South Africans have debt which means that they cannot borrow, and then we also seeing that the banks are, are households earning less than R9 000.00 is not really been credit worthy”.

CCT 4 on one hand concurs that they can come up with various affordable products which can become inaccessible if the banks cannot finance the end user; on the other hand, the developers cannot take a risk if there is no guarantee that someone is going to take the units. The impasse between the financial institutions and the state by failing to leverage private finance and end user contribution impacts on the overall development of affordable housing that is well-located, affordable and at appropriate locations. This is in line with FFC (2013) who suggested that the FLISP subsidy has not managed to incentivise the private sector to provide mortgages for households in the gap market, and this burden has by default passed onto the state.

It is expected that subsidy structure ensures affordability to the end-user and profitability for the developer. Findings reveal that the subsidy amount is not adequate to address the needs in the affordable housing market. DHS 1 noted that the policy framework is not addressing the challenges in the gap market as intended and is lagging behind the realities in the provision of affordable housing. He explained that:

“From a policy point of view, a policy sometimes is a bit behind the reality. The reality regarding affordable housing is, there’s a very small or a limited money-wise valued toward a person earning R15 000.00. In terms of the policy that person only gets R20 000.00 in their subsidy. That R20 000.00 is a drop in the affordable housing unit trust and those units are rather, it’s very difficult to find them anything less than R400 000.00. So, the reality is, over the last number of years the building inflation, the cost of construction of units are quite high and there’s no real stock for less than R400 000.00 and a person earning R15 000.00 a month with a R20 000.00 once off subsidy can’t really afford that. So, the policy has been written in such a way to benefit many but actually only a few people benefit from it and one needs to really look at the policy to bring it in terms of reality”.

The crux of the matter is the inability to equate the subsidy amount with inflation and construction costs; and inability to significantly leverage end-user affordability. While these challenges can be attributed the relative success of the BNG/RDP housing which was independent of end-user credit affordability, it can be argued that subsidies not related to market conditions do little to stimulate the market, fail to curb the tendencies of locating affordable housing at the periphery were land in cheap and at higher densities. Furthermore, evidence revealed that subsidies are rigid and not transferrable to other housing typologies. For instance, CCT 4 lamented that:

“The city has no mechanisms to provide affordable housing for ownership in well-located areas. We cannot use Breaking New Ground subsidy because we don’t want single dwelling units in well-located areas because that’s a waste of our expensive land. We want densities, we want well-located rental and ownership”.

The institutional subsidy is designed for affordable rental only limiting the potential of cross subsidisation model. The Department of Human Settlements concurred that implementing integrated residential developments with a mix of income groups and housing typologies is the best strategy to break the financing deadlock through cross-subsidisation. Unwittingly, the subsidy structure has contributed to the location, density and affordability of affordable housing. This is in line with FFC (2013) who suggested that the practical design and administration of housing grants often come with restrictions that limit the ability of provincial and local government to respond adequately to the needs of their communities.

6.5.4 Ideologies

The amount of land made available and the financial commitment made towards affordable housing development depends on the specifics of a political regime. It is expected that in a political environment where affordable housing is seen as a priority, there should be a balance in the allocation of resources by the state and private sector. The evidence is quite limited but suggests that there is reason to believe that there is political willingness to provide affordable housing at appropriate locations and densities, however the challenge is on striking a balance between the use of state and public sector resources especially in an unclear space such as the affordable housing market. CCT 1 highlighted that while affordable housing is a priority, its location and densities was not prioritised until recently:

“I think it’s the first time that we are seeing such an impetus within the city where there’s a strong push for affordable housing and I think the difference this time around is that location has become

the key priority. We tried, not that we tried, we still continue to build in the outskirts, in the townships, but then we are saying there has to be a change in something”.

This implies that while there was a recognised need for affordable housing and the national housing policy advocates for housing development in well located areas, the market processes were left to allocate land for affordable housing in the City of Cape Town. It is clear that not enough resources were allocated towards good location and appropriate densities. It can be argued that the rhetoric on the appropriate role of the state in delivering affordable housing and regulating urban development has shaped how the City of Cape Town met the demand for affordable housing in terms of location and densities. The same sentiments were echoed by activist 1 who highlighted that: *“There is just a general total misunderstanding of the problem at hand and how we can effectively lead the private sector to assist the state into delivering the house market. There are some other underlying issues behind the scenes around how banks spend money. How investments are made and also just the amount of risk associated with property developments. If you look at developers here in Cape Town compared to the developers in Joburg they like 100 years ahead. So much diversification. So much risk taking”.*

Furthermore, the pattern of development approvals where there was potential for planning benefits arising from the planning system to fund affordable housing but was not implemented reflects a system that lacks willingness to interfere with the operations of the private sector. Moreover, the lack of appropriate delineation of roles by the state and private sector in the provision of affordable housing has aggravated the misallocation of resources and lack of incentives. CCT 1 lamented that city-owned land is only released to developers with the same motives as that of the city:

“So, making land available should be aligned to the objectives that the developer would like to have, and the city would like to have. As the city is in partnership with social housing institutions because we are pushing the same agenda, not as developers in the private sector are pushing profits.”

While this is important, it also indicates the general perception about the private sector as profit-seeking while neglecting the opportunities to explore partnership mechanisms through incentives and planning gains.

6.6 EVALUATION OF STUDY AIM, OBJECTIVES AND HYPOTHESIS

Housing the urban population is a challenge not only faced by the South African government but by other developing countries in the global South and across the world. The right to adequate housing has been guaranteed by the South African Constitution of 1996, thereby re-emphasizing the importance to house the previously disadvantaged and redressing the spatial legacy of apartheid as initially stated in the Restructuring and Development Programme (RDP) of 1994. In the South African context, regardless of the policy rhetoric about the virtues of compact city, densification and mixed income living, the apartheid spatial patterns have lingered on. In particular, the South African affordable housing market has been battling with undesirable outcomes in terms of location, density, integration and affordability. The causes of these challenges have been attributed to the unavailability of well-located land, bulk infrastructure, increased cost of delivery and the inefficiencies in the housing delivery system. It was noted that all the multi-faceted housing challenges are faced in a property market characterised by public and private sector role players, whose agency are guided by structural elements such as the planning system, policy framework, resources for housing development (land, labour and capital) as well as varying ideological perspectives and motivations. The pertinent role of the planning system has been acknowledged in shaping the context for relations within the process of housing development.

Consequently, the overall objective of this study was to investigate why there is no greater development of integrated affordable housing at higher densities and appropriate locations despite the vision of compact, integrated settlements in the White Paper, the BNG policy and other housing policies. The rationale for this study emanated from the understanding that housing is a multidimensional phenomenon, and the challenges can be addressed by opening up the development process and identifying key role players and the relationships, rules, resources and ideas that influence their decisions, and the roles, strategies and interests that shape their agencies, leading to certain outcomes. In order achieve the main objective, the following sub-objectives were addressed:

- To identify the planning and housing policies and investigate how changes in housing policy has influenced the planning system in South Africa.
- To investigate the relationship between the planning systems, other structural variables, the constraints faced, and strategies used by policy makers and policy implementers in the delivery of affordable housing that is well-located, integrated and at appropriate densities.

- To investigate the relationship between the planning systems, other structural variables, constraints faced, and the strategies employed by developers to mitigate the challenges faced during the development of affordable housing.
- To make recommendations on the development of affordable housing that is well-located, at appropriate densities, integrated and affordable.

6.6.1 The relationship between housing policy and the planning system

A reflection on the interrelationships between the post-apartheid housing and planning policies presented a number of patterns that relate to the first objective. Tracing the post-apartheid housing and planning policy thread was based on the premise that the principles of compact city, densification, well-located residential areas and integration identified in housing policies are planning concepts that are to be reflected and implemented through the planning system. The principles were first identified in the Restructuring Development Programme (RDP) of 1994 and restated in the White Paper on housing of 1994. The White Paper further called for the planning system to implement the principles of compact city, densification, well-located residential areas and integration, which led to the birth of the Development Facilitation Act of 1995 (DFA). The DFA land development objectives made specific reference to promoting integration, densification and compact city development. Housing policies continued to be reinvented with the enactment of the Breaking New Ground of 2004, the Inclusionary Housing Policy of 2006 and the Social Housing Policy of 2007. The White paper on spatial planning was enacted in 2001 and struggled to gain traction on the planning forum. However, the planning tools (IDP and SDF) identified in the Municipal Systems Act of 2000 to implement the principles of compact city, integration and densification were adopted in the White Paper on Spatial Planning and are reflected on a local level as strategic planning tool.

However, the DFA had numerous challenges implementing these principles. The biggest concern was the development of new housing at the urban periphery, perpetuating urban sprawl. The application of the DFA principles was marred with uncertainties in interpretation and application by the officials, leading to contested and controversial decisions. Furthermore, due to a lack of clarity on the interpretation of the DFA principles, the DFA became prone to exploitation by the private sector who sought speedy approvals for developments not benefiting the poor. The DFA was declared unconstitutional and repealed in 2010 following disputes regarding its application. While the housing policies continued to be transformed, the planning system was unable to enact any new planning legislation until 2013, with the birth of the Spatial Planning and Land Use Management Act. The period from 2001 to 2010 relied on

the DFA and pre-apartheid planning legislation for housing development. After the repeal of the DFA in 2010, housing development relied on pre-apartheid planning legislation between 2010 and 2013.

The objectives of the housing policies are clearly stated as creating viable, integrated human settlements by promoting densification, integration, engaging the private sector and enhancing spatial planning. The goal of incentivising or compelling the private sector to provide accommodation for low-income to middle-income households in good locations where they might otherwise be excluded by the dynamics of the land markets underpins the core operations of the planning system. These objectives have been translated into a narrative of high-density mixed income living and compact city development which are physically given effect by the Municipal Spatial Development Framework (SDFs), an IDP tool meant to spatially guide all the developments within a municipal jurisdiction. The housing objectives of the IDPs, are further enhanced by the “housing chapter” (which forms part of the IDP) which maps the municipal housing needs, identifies well-located land for housing, and identifies areas for densification and linkages between housing and urban renewal and the integration of housing.

Overall, the key elements reflected in housing policy are the principles articulated in the White paper on housing of 1994 and other subsequent policies and the understanding that the planning system was fundamental to the successful implementation of housing policies. Key to the planning system are the legislative framework and planning tools such as IDPs, SDFs and land use schemes. Therefore, the discussion above indicates that there is evidence that some elements of the housing policy are reflected and have influenced the planning system in the following manner:

- Upon the enactment of the White Paper on Housing of 1994, the Development Facilitation Act (1995) was passed as the first post-apartheid planning legislation with the aim to establish the basis for spatial planning and land use management and to expedite housing delivery. The DFA was passed on the understanding that the planning system was key to the implementation of housing policy.
- There is evidence that the principles in the White Paper on Housing informed the thinking in the DFA. This is based on the similarities of the principles in the White Paper on Housing and the land development objectives in the DFA and subsequent planning policies and legislation.
- The planning system adopted the spatial planning and land use management tools such as the IDPs, SDFs and land-use management schemes. What is clear is that the

planning instruments were adopted with the understanding that the planning system should pave way in achieving housing policy principles.

This objective explored how the principles of good location, densification, integration and ideals of planning incentives reflected in housing policy influenced the post-apartheid planning system. The analysis has successfully helped to conclude the extent to which the housing policy has influenced the planning system and indicated the key elements of housing policy that have been adopted and reflected in the planning system. The analysis has also succeeded to identify the rationale behind the failure to achieve desired outcomes in the affordable housing market. In conclusion, while elements of the principles of housing policy are reflected in the planning system, the planning system has fallen behind in providing the adequate legislation and planning tools to support the affordable housing market.

6.6.2 The planning system, structural variables and the delivery of affordable housing: Perspectives of policy makers and policy implementers

The conceptual framework suggests that the structural environment (planning system, policy framework, regulatory framework, resources for housing development and ideological perspectives) influence the decisions made in the public sector regarding the location, densities, integration and affordability of affordable housing. The second objective of this study views outcomes in the affordable market from the interaction of policy makers, policy implementers and their structural environment. It seeks to yield data on the role of the planning system and other structural variables (rules, resources and ideologies) in enabling or constraining the development of integrated affordable housing at appropriate locations and densities.

The limited availability and cost of well-located land has influenced the location of affordable housing. Key informants from the City of Cape Town and the Department of Human Settlements concurred that the state-owned land in strategic locations that could be released for affordable housing. The study found that both the City of Cape Town and the Department of Human Settlements as well as other government departments own a substantial amount of well-located land, however, there are two challenges hindering the release of land for affordable housing development. Firstly, it emerged that there are no clear strategies to release land for affordable housing at the Department of Human Settlements. Secondly, the City of Cape Town has mechanisms to release land for social housing but only to developers with similar objectives, in this case, social housing institutions. In terms of land disposal strategies, the city has no mechanism to release land for other types of affordable housing

other than social housing. The tension lies between the state and the private sector in their roles and allocation of resources for affordable housing development. While the state faces institutional challenges on land release mechanisms, there are suspicions on each other's motives despite the need to work together to achieve the affordable housing delivery objective.

Secondly, even though the state owns land, the challenge is the risk of releasing prime land for affordable housing. This study established that before releasing land, the state considers the value of land before and after improvements, the risk associated with issuing prime land and the revenue generated. The challenge lies on whether to locate the gap market on a prime piece of land or generate the highest revenue from a prime piece of land and locate the gap market elsewhere. The concern is on the social value of land against the economic value of land. Furthermore, another concern was on the relationship between land value, property taxes and the viability of locating the gap market on prime land. While the state is expected to generate revenue using their available assets, including land, it emerged that the state faces the risk of further subsidising the units if beneficiaries are located in areas they cannot afford. Consequently, the beneficiaries are most likely to sell the units and move to cheaper places. What is clear is that while considering the financial value of land over the social value of land impacts on the location of affordable housing, it is important to consider where the gap market should be located in relation to tenure options and affordability.

The relationship between the planning system and the delivery of well-located affordable housing has neither been constraining nor enabling. In most instances, the planning system has not played an active role in the allocation of land for affordable housing. This study found that the Metropolitan SDF has no allocation of land for affordable housing. However, in terms of housing requirements of Municipal SDFs as set out in Section 21 of SPLUMA, the SDF should include estimates of the demand for housing units across different socio-economic categories and the planned location and density of future housing developments. With affordable housing not included in the city's strategic planning, the location is then not linked to areas of economic activities or transport networks.

Furthermore, the compact city form ideas made the core principles of major planning policies, the DFA (1995) and the SPLUMA (2013). The main structuring element is the urban edge concept which is given effect by the Metropolitan SDF. However, findings in the City of Cape Town show that the Metropolitan SDF, guide plans and the urban edge have been reviewed and amended to accommodate affordable housing developments, as indicated in case study 1. While it is ironic to compromise the SDF as market shaping tool, it is a more questionable manner of applying planning rules. On one hand, it is justified to argue that the urban edge as

a tool for curbing urban sprawl and ensuring well-located housing developments is symbolic and ineffective. It is clear that the urban edge concept has failed to prevent the development of affordable housing beyond the urban edge. On the other hand, the difficulties of achieving good location and affordability equally are acknowledged. While developing outside the urban edge perpetuates poor location, the urban edge may increase the value of land leading to unaffordability of units.

Land for social housing development is allocated through the restructuring zones. Restructuring zones are deemed well-located, serviced areas for housing developments and are given effect through planning tools such as UDFs, SDFs, IDPs and urban renewal strategies. Findings indicate that case studies that were allocated land through the restructuring zones are not well-located. Furthermore, restructuring zones have been identified in areas with inadequate infrastructure to sustain high densities as indicated in case study 5. It is acknowledged that there is a constant trade-off between availability of bulk infrastructure, building density, land value, location and affordability. How intensively a site can be used is generally a function of the available services, height and floor area of the building and these are guided by the planning and development regulations that might prevent the required densities from being attained. While land costs and infrastructure costs are a factor of location, the challenge is on optimising all these requirements. While the point of inadequate infrastructure will be elaborated later, neither of these challenges point to the firm application of restructuring zones or planned execution of social housing projects in its role as a tool for spatial integration and urban restructuring. What is clear is either unsuccessful implementation of planning policies despite all the planning tools or conflicting interests in the use of well-located land. Whatever the case might be, the planning system is expected to guide the allocation of such land and has in this case undermined the location of affordable housing.

The policy makers and policy implementers operate within a structured system governed by the planning system and policy framework. Legislation such as the PFMA and the MFMA guide the use of public funds on provincial and local level respectively. Findings indicate that the current policy framework offers minimal support to developers developing affordable housing on private land. Emphasis is given on the BNG subsidy structure, which can only be used on state land, and on the provision of infrastructure. In this study, it emerged that numerous negotiations with the Department of Human Settlements broke the impasse of using the subsidy for constructing specifically BNG houses on private land. While it is acknowledged that the government has different housing programmes such as FLISP where subsidies are offered on private land, in case study 1 the developer intended to develop BNG housing using

the BNG subsidy on private-owned land. This was not policy compliant at the time and after two years of negotiations with the Department of Human Settlements, the individual housing subsidy (non-credit linked subsidy) was used. These pieces of legislation act as a constraint because they limit the creativity of policy makers and policy implementers in dealing with context specific issues. In fact, state officials cannot work outside the policy framework to enable the development of affordable at higher densities and appropriate locations.

The objectives of housing policy advocate for the creative use of planning instruments to promote densification and integration. It has been established that for an affordable housing development to be affordable and profitable, the development needs to attain much higher density per square metre of available land, to cover bulk infrastructure and land costs. This study found that most of the case studies are of fairly appropriate densities. This has been attributed to a lack of adequate bulk infrastructure, gangsterism in case study 4 (this is an act of criminal activities were gang violence infiltrate the housing developments making them unmanageable), developers' interests or nimbyism but not planning regulations. This implies that the role of the planning system envisaged in the conceptual framework to regulate the property market has not been clearly exercised to mitigate developer's responsiveness to policy thereby, failing to achieve appropriate densities.

This study found that densification forms an integral part of the city through the densification policy. However, there is no evidence to suggest that the city has successfully implemented financial and regulatory incentives to stimulate developers to develop at higher densities and appropriate locations. What is also lacking is both the expertise to capture financial and planning incentives as well as legislative frameworks to guide the developers to achieve desirable outcomes. What is clear is that the planning system is weak on implementing rules and incentivising the development of affordable housing at appropriate densities. It is apparent that developers are not necessarily policy driven, hence effective planning and policy requirements are needed to shape the housing market.

Furthermore, the subsidy structure has shown to be a constraint in achieving good locations, appropriate densities and integration. Findings have shown that the City of Cape Town has no mechanisms to provide affordable housing for ownership in well-located areas. This is because the institutional subsidy for social housing allows for rental tenure at higher densities and the city promotes densification. BNG subsidies that provide housing for ownership stipulate one house on a single plot scenario which is against the city's densification policy in the face of land scarcity. Furthermore, the FLISP subsidy which is meant to provide housing for ownership (sectional title or freehold, new or pre-owned) has been largely viewed by

beneficiaries as targeted for freehold tenure unintentionally following the single plot scenario. This implies that while the city identifies the need for both well-located rental and ownership housing, the subsidy structure is not supportive of that mix. What is clear is that the subsidy structure hinders the possibility of cross-subsidisation to ensure good locations, appropriate densities, integration and affordability.

The interpretation of integration showed some variation by developer's ideologies. For instance, in case study 1, integration is envisaged to take place in common areas such as play grounds, schools and shopping centres. Whereas, in case study 3, the approach to integration was to accommodate different income groups in houses with a similar architectural style but different sizes and inside finishes. This meant that beneficiaries were not distinguished by income, and integration took place in the development.

This study found that a lack of clarity in the policy framework set at national and local level is seen as a major challenge to achieving integration. It was further noted that there is a lack of sufficient bylaws at local level to enforce integration. Policies such as the Inclusionary Housing Policy that aimed to give impetus on integration and good locations with reference to affordable housing gained no traction at national level, hence, there are no bylaws to that effect on local level. Secondly, the policy implementers at provincial level believe that housing policies are formulated at national level with minimal or no understanding of the actual issues at grassroots level. This indicated a lack of input on policy formulation by the policy implementers. It can be concluded that with no clear implementation strategy, policy objectives may not be realised.

Findings indicate that while the state offers demand-side subsidies to increase household income, the beneficiaries cannot afford to access bank loans. This implies that the state has not successfully managed to leverage private sector finance to ensure end-user affordability. What is clear is an impasse between financial institutions and the public sector in working together to provide funding for affordable housing.

Affordability is also dependent on adequate funding. This study found that policy makers at provincial level believe that the subsidy amount is inadequate, and the policy framework is lagging behind in addressing the challenges in the gap market. This means the subsidy amount on the supply-side does not equate to inflation and construction costs. It can be concluded that subsidies that are not market related fail to stimulate the market and curb the tendencies of developers to locate affordable housing on the periphery where land is cheaper.

The above discussion attempts to address the second objective. It builds a picture on how the planning system, policy framework, resources and ideologies impact on the decisions made by policy makers and policy implementers and how this in turn produced the current outcomes in the affordable housing market. Two main conclusions can be drawn from the above discussion. Firstly, the structural variables constrained the development of integrated affordable housing at appropriate locations and densities. Secondly, the planning system failed to counteract the tendencies of developers to develop housing that is integrated at inappropriate locations and densities. However, the difficulties of achieving all the outcomes in terms of location, density, integration and affordability equally on project level are acknowledged. In the next section, the discussion is extended to the evidence from the developers, with focus on the how their interactions with structural variables led to the outcomes in the affordable housing market.

6.6.3 The planning system, structural variables and the delivery of affordable housing: Developers' perspectives

The third objective seeks to examine the relationship between the planning system and other structural variables that influence the agency of developers in the development of affordable housing. Land is aptly conceptualised as influencing the location of affordable housing development. This study found that access to well-located land is a major constraint to developers. The challenges were two-fold. Firstly, it emerged that the cost of well-located land is very high, and without government intervention, affordable housing is located at the periphery where land is cheaper. Secondly, while the quantities and categories of land could not be ascertained, findings from key informants and developers indicate that both the city and the Provincial Department of Human Settlements own a substantial amount of land within the City of Cape Town and that land is rarely made available at the appropriate rate to meet the housing demand. This was attributed to the land disposal practices by the state which are not favourable for affordable housing.

Furthermore, findings also indicate that case studies are not well-located in instances where land was provided by the provincial and local government. Consequently, the cost of land and its highest and best use has been viewed as a challenge both in the private and public sector. The public sector generates revenue from available assets including land and is required by the Public Finance Management Act and the MATR to dispose of state assets at the highest value. Therefore, locating affordable housing on a well-located piece of land might not necessarily be the highest income generating land use. This illuminates the conflicting interests between the financial value and social value of land, at the same time intending to

curb the tendencies of providing affordable housing at the periphery. It can be argued that the regulatory framework constrains adequate intervention by the state in providing well-located land for affordable housing.

The cost of well-located land is a major constraint to the developers. It emerged that developers practice land banking to minimise the initial cost of land. Those who develop on state land either follow the government tender process or are registered as Social Housing Institutions who benefit from the government programme that provide land in restructuring zones for the development of social housing. In certain circumstances, unique strategies where a developer is a registered state entity have been observed in case study 4. In this case, a company which was initially formed as a partnership between the City of Cape Town and the National Housing Finance Corporation but is now fully owned by the National Housing Finance Corporation. The developer is also registered as a Social Housing Institution. This implies that the company obtains land from the City of Cape Town through the restructuring zones as in the case of social housing or as a state entity through the City's land disposal strategies. This indicates that the cost of land often decides whether there is viability for the private sector to develop affordable housing factoring into account the relationship between location, building costs, infrastructure costs and affordability.

The rejection of a development by the community is a major constraint in the development of affordable housing at higher densities and appropriate locations. It emerged that developers are influenced to change the densities of housing development because of rejection from the neighbouring communities. While some developers may take a court challenge against the community, some have resorted to negotiations and reaching an amicable solution as to thwart the hostility.

The study also found that the subsidies are inadequate to acquire land in good locations and to build at higher densities. While cross-subsidisation might solve the problem of inadequate subsidy amount, the subsidy structure lacks the flexibility to develop mixed housing development with mixed income groups and tenure types. For instance, the social housing subsidy can only be used for rental tenure, while the BNG capital subsidy can only be used for free standing houses for ownership that does not allow densification or rental options. It also emerged that beneficiaries have become expectant of certain housing typologies especially in FLISP where they associate ownership with free standing housing, making it difficult for the developer to provide other housing typologies.

This study found that the availability and capacity of bulk infrastructure and development charges were a challenge to developers, major cost contributor and constrained high densities. The study found that serviced land was not easily available in the City of Cape Town. Furthermore, the city is not actively involved in servicing land and has since become the responsibility of developers. The capacity of available services is also limited. For example, case study 2 was restricted to fairly low densities and case study 5 was delayed because of the limitations in bulk services. This matter is coupled with the excessive costs on development charges. Development charges are directly proportional to the density of a development. The higher the density, the lower the development charges. Consequently, to attain higher densities, the capacity of the municipal services should be adequate to sustain higher densities. While the development charges are very high, the municipal services are not adequate to sustain higher densities. This constrains the development of affordable housing at higher densities and diminishes the affordability of units.

The study found that the development of affordable housing is subjected to regulatory and legislative processes that impose financial burden on the developer leading to diminished affordability of the units. It emerged that township establishment and rezoning processes were lengthy and marred with institutional delays. It was also noted that there were numerous studies that developers had to go through to obtain planning approvals such as environmental studies, heritage studies, geo-technical investigations, agricultural authorisations and public participation processes. While these studies are justified, they increase the cost and inefficiencies in the development process. For example, it took over two years to get an EIA approval for case study 1. While this impacts on the total project cost and the affordability of the units, developers attempt to minimise the time spent waiting on EIA approvals by running the process parallel to the planning application. What this means is either staggering the initiation of planning application, and submit the EIA first, or submit both applications at the same time.

Closely related to obtaining planning approvals were the standards of designs such as site development plans to be submitted and the parking requirements. The study found that the standard of site development plans was believed to be close to building plans; yet the purpose was different. Furthermore, the parking requirements were believed to be very high, in some instance's developers applied for deviation from the requirements. This contributed significantly to the total cost of the project impacting negatively on the affordability of the units. In addition, the policy framework through the building regulations enforces highly prescriptive standards relating to the size of the housing units, quality of materials used, finishes and engineering services. This includes the NHBRC and SANS regulations on energy use and

energy efficiency. These regulations emerged as major cost contributors to the development of affordable housing.

The study found that the development of affordable housing is characterised by three forms of funding streams namely debt funding, equity and subsidies. It further emerged that financing affordable housing is a challenge for developers and the challenge to acquire bank financing is similar for rental or ownership tenure types because the affordable housing market is perceived as risky. While bank financing requires sufficient presales, beneficiaries are over-indebted and do not qualify for a loan. Obtaining sufficient presales to fund a development becomes a major challenge. The study has shown that in a situation where beneficiaries cannot meet bank requirements to access a loan and developers cannot obtain sufficient presales to access bank finance, innovative funding mechanisms are used. For example, in Case study 4, to bridge that gap, innovative funding mechanisms where the NHFC extends a loan to the developer to fund the development and to be accessed by the end-user. In this regard, the end-user accesses a loan from the developer in the same way they could have accessed from the bank, just on less stringent terms and low interest rates. This strategy not only provided finance but enabled the developer to build at higher densities for ownership which could not have been possible with the institutional subsidy.

It was noted that some developers are strategically positioned to access various forms of state subsidies and funding as a strategy to reduce the debt financing which is difficult to access from financial institutions. For example, developer 4 and developer 5 are registered as SHI or state entities. As such, they could access not only institutional subsidies, but also the Restructuring Capital Grant, National Housing Finance Corporation funding, Urban Settlement Development Grant as a strategy to mitigate financing challenges. In case study 4, the institutional subsidy meant for rental housing was used for ownership housing at higher densities.

This study also found that financial institutions are not keen to finance developments on state land. This was highlighted as a challenge by the city who are the drivers of social housing. The city's strategy is to lease land to social housing institutions at a minimal rate to eliminate the cost of buying land. While the land is still owned by the city, the social housing institutions cannot access development finance from the financial institutions. A similar scenario was observed in case study 1 where the state had no institutional mechanisms to administer subsidies for development of BNG houses on private land. Furthermore, the regulatory frameworks such as the MFMA prevents municipalities from using own finance for providing infrastructure on private land or as bridging finance in housing development. This suggests

that the impasse between the state and the private sector in allocating resources for affordable housing remains a challenge.

Labour is defined as the cost paid to the contractor to execute a project and includes the cost of materials. This study found that the relationship between the developer and the contractor is crucial in determining the total cost of a development and achieving affordability. However, it is not clear from the evidence whether the advantages of outsourcing labour outweigh the use of in-house labour or vice-versa. In the outsourcing approach, developers are not exposed to the risk associated with handling a construction project and escalations in building materials. The use of in-house labour eliminates the need to pay a contractor with high profit margins. Instances where developers (as seen in case study 1) use in house labour and train community members as construction workers may minimise the total cost but at the same time are exposed to the risk associated with delays. Depending on how the project is carried out, the ultimate goal is to attain affordability and profitability.

The importance of delivering an affordable product at minimum cost was noted as key to achieving affordability. It emerged that the cost of building materials is very high, hence developers are looking to alternative building materials other than the conventional brick. Developers are faced with two challenges in attempting to use alternative building materials. Firstly, the cost of getting the alternative building materials approved by the SABS is very high. Secondly, beneficiaries are not very receptive to the use of alternative building materials such as 'the block' used in case study 1. In other words, beneficiaries associate housing with bricks and mortar and any other materials may lead to rejection of the development by the recipient community.

The study noted that the approach to the delivery of affordable housing has been that the provincial or local government identifies suitable land for affordable housing, and then invite tenders from private sector developers. While the type of housing and beneficiaries are usually specified, the profit margins, affordability, densities and integration are not stipulated. In this regard, it was found that different ideological perspectives and motivations of developers influence the manner in which public resources are used to achieve desired outcomes in terms of density, integration and affordability. For example, non-profit oriented developers are in the affordable housing space to fulfil a social responsibility by providing safe, clean and affordable housing whereas, profit-oriented developers are in the business to provide housing and make profits. This study found that non-profit oriented developers' ideological perspectives are more aligned with the objective of the state in providing affordable housing, hence it is easier for the state to work with non-profit developers to achieve integrated affordable housing at

appropriate densities. There is no doubt therefore that aligning the ideological perspectives, interests and motivations of developers to the allocation of state resources is key to achieving integrated affordable housing at appropriate densities.

This analysis has helped to explore the dynamics, the challenges and the strategies employed by developers during the development of affordable housing. It succeeded in uncovering the rationale behind the current location, densities, integration and affordability of affordable housing. This objective concludes that the limited availability and cost of well-located land has influenced the location of affordable housing, whereas the limited capacity of infrastructure has constrained developments at higher densities. Additional costs imposed by the planning system, development charges and cost of installing services reduced the affordability of units.

6.6.4 Evaluation of study hypothesis

This study had two hypotheses. The first hypothesis was that, the principles of planning incentives, densification and integration espoused in housing policy have not been sufficiently reflected in the planning system leading to failure in stimulating the private sector to supply affordable housing. Content analysis of the post-apartheid housing policies and the tools, legislative and policy framework operational in the planning system led the study to conclude that as much as the principles of planning incentives, densification and integration are reflected in the planning system, the planning system has not sufficiently evolved to give traction to these principles. For instance, given the myriad of housing policies, the planning system put forward the Development Facilitation Act which was later repealed in 2010 and the Spatial Planning and Land Use Management Act (Act 16 of 2013) which was recently implemented. The hypothesis is therefore refuted.

The second hypothesis stated that the planning system fails to counteract the tendencies of private developers to develop housing at inappropriate locations and densities and that is not integrated and affordable. The study has continuously pointed to the important role of planning in affordable housing development. Based on the premise that planning systems are expected to deliver what the private sector cannot; and the private sector cannot be relied upon to deliver affordable housing efficiently. Rather than setting out the rules of the game for other actors, the state should not only direct but directly implement the policy framework. This was alluded by Oxley (2004) who conceptualised planning as an activity of governments that is broader than simple development control and one that is part of a wider regulation of political and economic structure.

The study found that developers tend to locate affordable housing at inappropriate locations because of the limited availability and cost of well-located land. While the state owns land, it had not successfully intervened in making land available for affordable housing development due to the land disposal mechanisms and the regulatory framework that favours the financial value of land over social value of land. Results show that the planning system has mechanisms to ensure well-located affordable housing such as urban restructuring zones, SDFs and the urban edge; however, these have not been successfully implemented. While the cost of well-located land is high, developers need to build at higher densities to achieve affordability. It is acknowledged that developing at higher density is not only expensive but requires adequate services. At the same time the cost of providing bulk infrastructure is becoming unaffordable for the municipalities. Attaining good location and appropriate densities in one development is a challenge.

The study found that developers tend to develop affordable housing at inappropriate densities because of the limited capacity of bulk infrastructure, inadequate subsidy amount and the lack of planning and financial incentives to offset developing at higher densities. While there is no evidence to suggest that planning regulations have influenced development densities, the study found that Nimbyism and the infiltration of gangster elements has impacted on the densities.

The study found that there are no regulations to enforce integration and to indicate what needs to be integrated and the measures thereof. Results show that the levels of integration have largely been determined by the ideological perspectives of developers and the subsidy structure. Furthermore, the diminished affordability of affordable housing is attributed to the increased total cost of production. The study found that the planning system has imposed additional costs on the development of affordable housing through excessive standards of development, delays in approvals, cost of specialist studies required for the township establishment process and development contributions. Overall, the study found that despite the availability of planning tools, the planning system has not successfully curbed the tendencies of developers to develop housing that is not integrated at inappropriate locations and densities. The hypothesis has been substantially confirmed.

6.6.5 Evaluation of the Conceptual Framework

The affordable housing market is characterised by actors who are the developers, landowners, financiers, state policy makers and policy implementers; structure which are the rules,

resources and ideas and agency, which is shaped by the interests, roles and strategies of agents. The developers, state policy makers and implementers were identified as key actors in the affordable housing process. These actors are guided by a structure which comprises of the planning system and policy framework (rules), material resources (land, labour and capital) and ideologies. Findings in this study suggest that there are rules guiding the policy makers and policy implementers in the development of integrated affordable housing at good locations and appropriate densities. However, the desirable outcomes seem difficult to achieve. The conceptual framework does not capture knowledgeability and capability of key actors in operating within a given structure. This refers to the actors' skills and competences influencing their ability to access and mobilise rules and resources and engage particular ideologies or practices to achieve desired goals. Hence, the addition of knowledgeability and capabilities of actors to the conceptual framework provides further nuance to understanding the agency of actors. According to Giddens (1984), the ability to exercise agency relates to the capability to do things which necessarily infers power. In structure-agency theory, Healey (1992) asserts that analysis needs to be able to identify the roles played by agents and the power relations between them. While agency is depicted by roles, interests and strategies, the act of agency is also influenced by the power an actor has in their role to implement the structural elements. Thus, more powerful actors exert control and less powerful actors' manoeuvre within limits, leading to different outcomes. The conceptual framework only analyses the power between agents, but the gap is on the power that agents have to influence the decisions and challenge the prevailing ideological perspectives such as political views.

6.7 DISCUSSION AND POLICY RECOMMENDATIONS

The rhetoric of integration, densification and compact city development has long been alluded in the post-apartheid housing policy, however, the affordable housing market faces challenges in terms of the location, density, integration and affordability, regardless of positive policy intentions. The planning system and policy framework are largely influenced by international trends. More specifically, the strategic planning tools such as SDFs and urban edge concepts which are conceptualised to guide urban growth and development. However, critics such as Todes (2008) argue that the content of the SDFs fail to establish the necessary spatial detail to guide planning because the current strategic approach to planning in South Africa remains overshadowed and contradicted by trends in the property market. It is clear that the planning tools are unable to fully prioritise critical issues like housing the affordable housing market. This points to the inability to set priorities for example; protecting the environment or housing the poor; letting go of prime land and housing the poor or promoting urban sprawl by housing

the poor outside the urban edge. Similarly, the housing subsidy structure is unable to consider the conflict that arises from the use of subsidies on private land against housing the poor or preserving and protecting government resources versus housing the poor. While this can be a policy implementation matter, political willingness has dominated this discourse.

This study has shown that the cost of well-located land is very high. The state is believed to own a substantial amount of well-located land as demonstrated by the City of Cape Town when it unveiled seven sites within a 10 km radius of the CBD for affordable housing. Ostensibly, land can be used as a political tool, as an income generating asset or to achieve social objectives. The situation in the affordable housing market was best depicted by “*The mad tea party*” in *Alice in Wonderland*:

“The table was a large one, but the three were all crowded together in one corner of it. “No room, no room”, they cried out when they saw Alice coming. “There is plenty of room” said Alice indignantly, and she sat down in a large arm chair at the end of the table (Carroll, 1865).

While the study found that there is a substantial amount of land in the City of Cape Town, the challenge is on how it should be allocated. This points to the fact that control of well-located land is in the hands of those who already have access to it and can afford it. Political authorities need to be proactive in addressing the needs of the majority who are crowded at the urban peripheries. This was re-emphasised by the Minister of Human Settlements in 2019 who was quoted by News24 saying: “*Our target is Cape Town, we have a lot of urban land here that is very suited for human settlements*”. However, well-located land is associated with high rates and taxes that are unaffordable to the poor. Rates and taxes are also a source of revenue for the local authority and cannot be abandoned. While ownership houses attract high rates and taxes as compared to high density rental options, a balance should be struck when allocating land for affordable housing.

This study argues that the planning system and policy framework at the City of Cape Town at the moment does not successfully leverage the development of integrated affordable housing at higher densities and appropriate locations. This argument is intertwined in the ideological perspectives of local government officials and the implementation of policies. The ideological perspectives of the local government officials have been inclined towards providing affordable housing without much consideration about the location. The role of the state has been overshadowed by the challenges in stimulating the private sector to produce desirable housing outcomes. While these challenges can be attributed to the relative ubiquity of the RDP/BNG housing, it can mean that the planning system has not been successfully operating in a way

that advanced the needs in the affordable housing market. Consequently, the housing patterns are shaped by the market instead of the planning system. This points to the lack of appropriate incentives designed to stimulate the private sector to engage the affordable housing market in a manner that produces appropriate outcomes.

Furthermore, it can be argued that policy intentions and the operation of the planning system are often preceded by political decisions. Short-term political agendas often undermine long term strategic decisions of the city. This leads to a situation where planning decisions conflict with the strategic plans to accommodate the mandate from political offices or to reflect the ideological perspectives in the city. As such, a number of policy implications arise from this study and are targeted at enhancing the location, density, integration and affordability of affordable housing.

Findings in this study indicate that there is a limited availability of well-located land at affordable cost in the City of Cape Town. The challenge is to enhance the location of affordable housing developments. However, a key realisation is that there is a lack of nuanced information on what constitutes a good location for affordable housing. The aim is to be explicit about what constitutes a well-located development, moving away from the simplistic dichotomies of periphery and central, instead contextualising the multi-nodal characteristics of the City of Cape Town. Therefore, a more sophisticated definition of “well-located” affordable housing should incorporate the following characteristics:

Proximity to existing economic nodes other than the traditional Central Business District, proximity to the local authority’s planned or proposed developments in relation to the city’s growth strategy and intended investments, proximity to the infrastructure and transport networks taking into account transit-oriented developments and urban regeneration. It is proposed that a “well-located” development should be situated less than 15 km from existing or proposed economic nodes and less than 500 m from transport networks.

This study recommends a reflective approach where the City of Cape Town reviews, re-shapes and re-designs the principles of achieving compact cities bearing in mind that nothing can overcome the problems caused by housing in the wrong location (McKinsey Global Institute, 2014). The key areas of intervention to enhance the location of affordable housing are:

Harmonising affordable housing development and the planning system: It is clear from the study that good locations are largely determined by proximity to economic nodes and transport networks. Areas of economic investment and infrastructure development are

reflected in the city's strategic planning documents. This necessitates the inclusion of affordable housing as a land-use category in spatial planning and strategic planning documents such as the Metropolitan Spatial Development Framework. Through the results of the land audit, where there is the identification of all vacant land, derelict buildings, disused State institutions such as former military bases and unused land zoned for public institutions and the categorisation of the properties in terms of title or ownership and zoning or land rights (land title or ownership covers privately-owned land, municipal-owned land, land owned by the Department of Human Settlements, provincial and national departments and government parastatals such as Eskom and Transnet). It is recommended that the City of Cape Town identifies strategically located land and allocate it for affordable housing categories through the SDF. This encourages the location of affordable housing to be aligned with the city's growth and investment plans such as transit-oriented development, urban regeneration and proposed economic nodes. Consequently, it ensures that affordable housing development forms part of the broader urban restructuring framework and of the city's structuring elements such as the urban edge thus moving away from isolated and *ad hoc* residential developments.

Strategic land allocation: The study found that the relationship between the location, value of land and the affordability of beneficiaries hinders the development of well-located affordable housing. The key challenges identified are, firstly, developments on well-located prime land are associated with high rates and taxes which are most likely to diminish the affordability status of the beneficiaries and become unsustainable; and secondly, for the state to grant ownership status of housing units developed on prime land to beneficiaries who might sell for personal gain and move back to cheaper areas.

The advantages of registered or formal property rights are known and restrictive property rights lead to informal trading. In order to avoid these problems, beneficiaries need to be located in areas where the value of units does not give them an abnormal incentive to sell. That means aligning the location of housing with tenure type and income levels. Consequently, centrally located land needs to be allocated for rental tenure and the higher end of the affordable housing market income band. Ownership tenure needs to be allocated in areas where there is a minimum incentive for beneficiaries to sell. In other words, it is important to align location and value of land to the income levels of beneficiaries and the capacity to pay rates and taxes. This is to ensure that well-located public land remains under public ownership thereby enhancing the benefits of good location to more beneficiaries rather than enriching individuals. Furthermore, the challenge of diminished affordability falls away because there is usually no responsibility for paying rates and taxes in social housing units.

The study has shown that limited capacity of bulk infrastructure, cost of developing at higher densities and the application of planning regulations impact on the densities of affordable housing. While there is a lack of clarity on what constitutes appropriate densities and the indicators to measure density, a more sophisticated definition of appropriate densities should incorporate the following characteristics:

The key determinants of density are considered as infrastructure capacity, transport networks, land-uses, economic and social conditions. The context of appropriate densities is deliberated at neighbourhood level and on project level. It is considered on the scale of each building in a development and social and economic characteristics of the neighbourhood. It follows that, building typologies, characteristics of the neighbourhood (in relation to services, economic activities, amenities to support higher densities) and different land-uses call for different density levels. It is proposed that appropriate densities on building level be measured by the relationship between Floor Area Ratio, coverage, height and the size of rooms in the buildings, multi-unit detached structures relative to detached single buildings. On neighbourhood level, the inner city necessitates a minimum of four-storey buildings with lifts, medium to high income areas necessitate two-to-four walk up storeys and high-income areas require one to a maximum of two storeys maximising on smaller units and smaller plots. Economic nodes, transport networks and transit-oriented developments necessitate high rise buildings.

Review of land disposal strategies: Currently, the state land disposal strategies promote tendering. The challenge is that government land gets awarded to the developer with best proposal but has no intention of achieving higher densities, integration and affordability on well-located land. To overcome the challenge of developers profiteering over benefiting the poor, the land disposal strategies need to be aligned with the motivations and ideological perspectives of developers. What is important is to foster the relationship between the private sector and the state in achieving common goals. It is recommended that priority in delivering affordable housing be given to non-profit oriented developers whose motives are aligned to the city and the state.

Packaging land parcels: It is clear from the study that while higher densities are ideal for affordable housing development, the limited capacity of bulk infrastructure and the application of planning regulation hinders the attainment of appropriate densities. The key area of intervention on determining the development size and capacity of the infrastructure beforehand. This necessitates the packaging of developments using location, tenure options, and income levels, economic and social characteristics as determinants of density. In this way,

the densities, the number of units, height, and type of beneficiaries, tenure mix, and the capacity of bulk infrastructure are established beforehand.

The packaging of land parcels allows for planning regulations pertaining to densities to be applied on a project to project basis taking into cognisance the neighbourhood characteristics, amenities, economic activities and tenure options. Therefore, the challenge of blanket application of planning regulations that are used for non-affordable housing developments is eliminated. In addition, the tendencies of developers to develop at low densities as a profit maximising factor or avoiding complex management issues associated with high densities is addressed.

Incentivising high density developments: The study has shown that to achieve good profit margins in affordable housing, the development needs to attain a much higher density. Developing at higher densities is more expensive considering the cost of substantial foundations, lifts and other inputs required for taller buildings. The argument is on attaining higher densities at an affordable cost. Therefore, the policy aim is to lower the costs associated with developing at higher densities thereby encouraging developers to develop at higher densities. Lowering the cost of developing at higher densities can be achieved by the use of planning and financial incentives. For instance, incentives to be offered relate to:

- Relief in paying development contributions- development contributions can be suspended, or the developer can only pay after five years or when the development starts making positive returns.
- Providing bulk infrastructure and services through the USDG fund.
- Relief on municipal rates or a rates rebate on other (non-affordable) developments by the developer.
- Relaxed planning regulations for example offering density bonuses, increased FAR or additional bulk development rights for other (non-affordable) developments by the developer.

Linked to the discussion on appropriate densities above is integration in affordable housing. The lack of consensus amongst developers and state representatives as to what needs to be integrated has been complicated by a lack statutory laws to clarify the matter. Similar to density, the discussion on integration is reflected on project level, neighbourhood level (amenities, economic activities and land uses) and city level with the aim of reducing

segregation on the basis of race and income levels. Therefore, the definition of integration should include the following characteristics:

“Integration in terms of income is viewed from the spectrum of income levels accommodated in a project, and on neighbourhood level. Similarly, integration in terms of tenure is viewed from the tenure options available on a project basis and the neighbourhood context. While integration in terms of race relates to the racial mix at project level in relation to the neighbourhood and city-wide demographic composition, it is viewed from the interaction of different racial groups at neighbourhood or community level in common places such as shopping centres, schools and recreational facilities”.

Clarity on integration: A key area of intervention is on income and racial integration. While Inclusionary Housing Policy offers opportunities for more integrated and inclusive developments, the policy has not yet been legislated and has already faced a lot of resistance. While racial integration is paramount to healing the nation and reversing the legacy of apartheid, the challenge is that it cannot be imposed on people. There is need to move away from regulatory enforcement as a way to integrate different income and racial groups. Integration needs to occur at neighbourhood level and at development level. Instead of building isolated affordable housing developments, focus should be on integrating affordable housing developments in existing communities where amenities would be shared by people of different races and income. In the case of mixed-use developments, integration should occur in shared community facilities, schools, shopping centres and parks.

Housing affordability emerged as a key challenge in affordable housing. Housing affordability is defined as the relationship between household income and household expenditure on housing costs. The acceptable proportion of income to be spend on housing is approximately 25%, however, affordability is more complex and diverse:

A more sophisticated discussion on affordability can be conceptualised around the relationship between the determinants of affordability such as house prices or rentals, interest rates, household income and dynamics of household expenditure. In addition, developer affordability should be incorporated into the equation. The long-term stability of interest rates, house prices and rentals in relation to household income determines the proportion of income paid to housing, thereby assessing long term diminished affordability. Household expenditure should be viewed from the residual income left for housing costs after all expenses have been met. Further, on the basis of whether beneficiaries are young, old, single parents with children or both working parents with children. It is extended to whether the beneficiaries are working in

big cities or small towns where property prices differ and whether they afford to rent or purchase a property.

Reducing debt funding: The discussion above has indicated that the end user in the affordable housing market is over indebted and do not qualify for a loan. MGI (2014) suggested three ways to improve access to credit for low-income households to purchase affordable housing as: reducing loan originating costs and underwriting risk, reducing the cost of funding mortgages, and leveraging collective savings such as provident funds to lower interest rates and increase down payments. The most applicable to the South African context is leveraging collective savings. The South African low to middle income earners have a strong history of pooling monetary resources together towards the purchasing of household goods, groceries or end of year pay-outs (this practice is commonly known as *stokvel*). Financial institutions such the First National Bank have promoted this practice by according the *stokvel* members to open a bank account. This practice can be introduced to the affordable housing market where requiring members can save together for a mortgage deposit or to reduce the mortgage loan. The City of Cape Town can identify and coordinate beneficiaries on the housing waiting list who are meant to benefit in the upcoming house project and the NGOs together with the city can educate beneficiaries on the importance of taking a proactive measure towards attaining affordability, and more importantly working towards getting a house instead of waiting on the government.

Unlocking planning bottlenecks: The delays in obtaining planning approvals necessitate for the need to address the bottlenecks causing inefficiencies in the process or streamline unnecessary steps. The bottlenecks have been identified at the circulation and obtaining of internal comments. The City of Cape Town needs to set up a dedicated affordable housing task team comprising of representatives from property management, land use management, urban integration, human settlements, transit-oriented development, civil engineering and other departments deemed important for affordable housing development. The purpose of the task is to assess applications, package and unlock land and expedite planning approvals. By so doing, instead of the application circulating to different departments to obtain comments, the comments and suggestions would be made by each representative in the committee.

On state land, ensuring that the land earmarked for affordable housing has the correct zoning and all the studies such as EIA and heritage are done, will be the responsibility of the task team. EIA and the town planning application can be collapsed into one application instead of parallel processes. A possible solution is to appoint planning consultants to obtain planning

approvals. The ultimate goal is to hand over a packaged site to the developer, thereby eliminating the delays.

7 CHAPTER SEVEN: SUMMARY, CONTRIBUTION AND FURTHER RESEARCH

7.1 SUMMARY OF THESIS

The rationale of this thesis emanated from an observation and understanding that housing is a multidimensional phenomenon that is embedded in broad social and economic arrangements and operates within a diverse structural environment. This signifies that there exists an amalgam of structural forces that influences the agency of role players in developing affordable housing in different contexts. The interaction of role players within a structural environment leads to varying outcomes. Thus, the aim of the study was to investigate why there is no greater development of integrated affordable housing at appropriate locations and higher densities. Within the broader aim, the study hoped to uncover the underlying factors behind the problematic outcomes in terms of location, density, integration and affordability of affordable housing in South Africa.

This study focussed on five case studies of affordable housing developments in the Cape Town Metropolitan Municipality. The case studies displayed varying characteristics in terms of tenure options (rental or ownership), ideologies and motivations of developers (profit-oriented developers, non-profit organisations and state entities), ownership of land on which the developments were done (state owned, privately owned or a combination of both) and the types of developments (social housing, FLISP housing, mixed developments or other types of affordable housing).

Chapter one outlined the problem statement, research questions, aims and objectives of the study. The study was conceived on the premise that there is a persistent duplication of unfavourable outcomes in terms of density, integration, location and affordability in the affordable housing market, despite the principles of densification, integration and the creative use of planning tools reflected in housing policies.

Chapter two provided a critique of the theories of the development process, namely equilibrium models, event-sequence models, structure models, agency models and structure-agency models. This chapter argued that despite its weakness, the structure-agency models presents the most applicable framework for investigating the underlying causes of the outcomes in the affordable housing market. The main outcome of this chapter was the development of a

conceptual framework from the tools of structure-agency theory and the insights of institutional analysis for development framework.

Chapter three consisted of a review of the broad literature on the relationship between the planning system, property markets and housing developments. The various approaches to studying the relationship between the planning system and property markets were discussed together with their impacts. While the planning system as a form of government intervention has constraining or enabling effects on the property market and housing development, its role in shaping, regulating and stimulating the market has not been sufficiently reflected. This chapter further investigated the gaps identified in the literature.

Chapter four discussed the methodological approach adopted for the study. It started by discussing the ontological considerations that influence the methodological perspectives in social sciences and argued that critical realism is the most appropriate platform on which structure-agency theory may be used. The chapter proceeded to discuss the methodological approach and the research design.

Chapter five was presented in two main sections. The first section presented the policy, legislative and regulatory framework governing the residential property market in South Africa. This section presented the housing and planning policies and deliberated on the changes effected by housing policies on the planning system. This section concluded that the housing policy principles are reflected in planning policies; however, the planning system has not sufficiently evolved to give effect to these principles. The second section deliberated on the contextual background of the setting of the five case studies. The case studies of housing developments are set in the Cape Town Metropolitan Municipality. The most relevant characteristics of the City of Cape Town in relation to population, income levels, poverty levels, and housing and governance structures were discussed. Chapter six presented an analysis and discussion of the research findings.

7.2 MAIN FINDINGS, CONCLUSIONS AND RECOMMENDATIONS

The study investigated two interrelated questions. The first question was: how have the ideals of planning incentives, densification and integration reflected in housing policies influenced post-apartheid planning systems? The corresponding hypothesis for this question was that the principles of planning incentives, densification and integration espoused in housing policy have not been sufficiently reflected in the planning system, leading to challenges in stimulating the private sector to supply integrated affordable housing at good locations and appropriate

densities. The study found that from the onset of the agenda to redress the segregation and spatial legacy of apartheid, the planning system was identified as fundamental to achieving such success. The thinking that informed the white paper on housing and subsequent policies in terms of the housing principles is reflected in the Development Facilitation Act and the planning legislation that followed. This was reflected in terms of consistency in principles and the common vision of developing well-located, integrated and compact developments as well as by adopting the planning tools such as IDPs, SDFs and land-use management schemes. The study therefore concludes that the principles of planning incentives, densification and integration are reflected in the post-apartheid planning systems. The first hypothesis was therefore refuted.

The second question investigated by the study was: how do the planning system and other structural variables impact on the property and housing market, and how does this situation in turn produce the current outcomes regarding the location, density, integration and affordability of affordable housing? The corresponding hypothesis to this study was that the planning system fails to counteract the tendencies of private developers to locate housing at inappropriate locations and densities and that is not integrated in terms of tenure, income and race. The study found that the location of affordable housing developments is influenced by the limited availability and cost of well-located land. While the state owns well-located land, there have been inadequate government interventions in terms of land disposal mechanisms; more so, the economic value of land has been prioritised over the social value of land. The study also found that despite the availability of planning tools such as SDF, urban edges and restructuring zones, the planning system has not effectively used these tools to direct development, allocate well-located land for affordable housing and curb urban sprawl. The study further found that the ideological perspectives and political views at the City of Cape Town limited the level of intervention towards the development of well-located affordable housing.

The study found that limited capacity of municipal bulk infrastructure hindered the development of affordable housing at higher densities. While higher density developments attract low development charges, bulk infrastructure has been inadequate to sustain higher densities. The study found that in the absence of sufficient planning and financial incentives, developing at higher densities (though beneficial to developers) is costly. Furthermore, the subsidy structure is insufficient to offset developments at higher densities. The study also found that while the BNG subsidy structure which promotes one house per plot hinders the possibility of densification, it has also fostered expectations of specific housing typologies by beneficiaries. Freestanding houses are associated with ownership tenure, thereby hindering

the chances of densification. The study found that there is no evidence to suggest that the densities have been sufficiently constrained by the planning system. Instead, factors such as crime associated with gangsters, developers' interests and "Not-in-my-backyard" syndrome displayed by the recipient community impacted on the densities.

The study found that the level of integration in terms of tenure and income is influenced by the subsidy structure which provides for single tenure options. The study also found that in the absence of statutory laws to enforce integration and stipulate what needs to be integrated, integration has been largely determined by the ideological perspectives of developers.

This study found that the planning system and policy framework impose additional costs to the developer through delays in approvals, cost of specialist studies required for the township establishment process, development contributions and the standards of developments, thereby impacting on the affordability of units. The study found that the relationship between the developer and contractor, as well as insourcing and outsourcing of labour impacted on the total cost of the project. Furthermore, the use of alternative building materials was found to be a strategy to ensure affordability; however, the costs of getting the building materials approved counteracted the intended benefits.

The study found that the cost of acquiring bank financing and the requirements for acquiring bank financing impacts on the scale and diminishes the affordability of units. The banks' lending rules to the affordable housing market are stringent, presenting a situation characterised by beneficiaries who cannot afford financing and developers who cannot access financing without presales. The study further found that the subsidy amount is not adequate to ensure affordability and the state has no mechanisms to apply BNG subsidies on private land. Furthermore, there is little support offered by the state to developers developing affordable housing on private land. It was found that the MFMA restricts municipalities from using own revenue to provide infrastructure on private land.

The study found that the ideological perspectives of developers' impact on the extent to which state objectives on affordable housing are met and how resources are allocated to affordable housing. The state land disposal strategies through the tendering process hindered the development of integrated affordable housing at appropriate densities because there is no guarantee that the best bidder's ideological perspectives are aligned with the state objectives to ensure appropriate densities, integration and affordability. This study concluded that the planning system, resources for housing developments and ideological perspectives constrained the development of integrated affordable housing at good locations and

appropriate densities. At present the available planning tools were not sufficiently utilised to curb the tendencies of developers to develop affordable housing that is not integrated at inappropriate locations and densities. It can be concluded that while the principles in housing policies have influenced the post-apartheid planning systems, the planning system has not sufficiently evolved to provide adequate legislation and tools to stimulate the market to achieve desired outcomes. Overall, the results substantially confirm the second hypothesis.

Based on the preceding discussion, it is concluded that the planning system and other structural variables have constrained the development of affordable housing that is well-located, at appropriate densities and integrated. This study recommends areas of policy intervention to improve outcomes in the affordable housing market. To enhance location, the interventions are targeted at reviewing and improving state land acquisition, land disposal and land allocation strategies. Interventions to enhance densities are centred on the upgrading of bulk infrastructure, planning and financial incentives. Policy levers to achieve tenure and income integration are targeted at amending the subsidy structure, while racial integration is targeted at improving the places for integration. Policy levers to enhance affordability are focussed on improving the operation of the planning system and policy framework and access of finance.

7.3 CONTRIBUTION TO KNOWLEDGE

This study has made a contribution to the overall body of knowledge, and this contribution is discussed under the following categories: contribution to theory development, contribution to methodology, contribution to policy formulation and implementation and contribution to literature.

7.3.1 Contribution to theory development

The study makes a contribution to theory development in two ways. Firstly, it extends the application of Healey's structure-agency theory and Ostrom's Institutional Analysis for Development framework to the analysis of the planning system, property markets and the development of affordable housing in South Africa, using Cape Town as a case in point. While a good theory should explain well, predict well and must be generic, the relationship between the planning system, property markets and housing development has been dominated by mainstream approaches which are concerned with the demand side, economic factors and outcomes. This study showed that the outcomes in the affordable housing market are a result

of interactions between role players and the structural environment and this relationship is best explained through an institutional analysis that is concerned with the supply side and processes that led to the outcomes. However, there has not been much application of institutional approaches, except for a few notable examples (see Healey, 1992; Ball, 1996; and Van der Krabben and Lambooy, 1993). The study makes a contribution by building on the studies that employed structure-agency theory, thereby substantially extending literature on institutional analysis.

Secondly, the study makes a contribution to theory by developing a conceptual framework that links the structural environment to the agency of actors and the outcomes in the affordable housing market. Using the tenets synonymous with Healey's structure-agency theory and combining them with the principles of Ostrom's institutional analysis for development framework the conceptual framework provides a platform to analyse the relationship between structure and agency in the housing market. As noted by Hooper (1992), the weakness of structure-agency theory is on its application of institutions as part of structure. By combining Healey's structure-agency theory with Ostrom's institutional analysis for development framework, this study makes a contribution by providing a theoretical framework which places institutions as part of structure in the study of planning systems, property markets and housing development. This study makes a contribution to knowledge by providing new insights to an otherwise old problem by using a different conceptual framework, presenting and analysing different and more comprehensive variables. Thereby offering a theoretical perspective to the study of outcomes in the affordable housing market. The study further makes a contribution to theory by proposing the addition of knowledgeability, capability and power when analysing the agency of actors to the conceptual framework. This enables the interrogation of the roles of actors in relation to the knowledge they possess, their capabilities and the power they have to influence the decisions made.

7.3.2 Contribution to empirical literature

While there has been a lot of studies in the area of planning systems, property markets and affordable housing development, this study makes yet another further addition to the existing empirical literature on South Africa in general and Cape Town specifically. What constitutes "well-located", "appropriate densities", "integration" and "affordability" in housing developments is not well understood. It was noted that questions around what the outcomes in affordable housing mean and how they are measured have not been satisfactorily addressed. Further, it was observed that there is relative ignorance on how structural variables influence the decisions made by developers and State officials in the development of

affordable housing. Questions on the causes and mechanisms that lead to these outcomes have not been sufficiently addressed.

The study makes an empirical contribution by providing insights to these questions. Using Cape Town as a case study, this study provides clarity on the meaning and measures of outcomes in the affordable housing market. The study has contributed to the understanding of what it means for a development to be well-located, at appropriate densities, integrated and affordable, moving away from simplistic dichotomies of what each entail. The study provided an understanding of how the variables that constitute structure have impacted on the roles, strategies and interests of developers and State officials. This has provided an understanding on the underlying causes behind these outcomes in the affordable housing market, thereby providing an empirical platform for studies addressing these challenges.

7.3.3 Contribution to policy formulation and implementation

The importance of this study is that it resonates with issues of affordable housing development that have been a priority of policy makers for over two decades. This study opened up new ways of viewing an otherwise old problem of outcomes in the affordable housing market, hence policy recommendations are targeted at attaining desired outcomes. Firstly, the study developed a conceptual framework that laid a theoretical foundation for analysing the affordable housing market. Not only did identified variables enabled the uncovering of underlying factors influencing the outcomes in the affordable housing market, but act as levers for policy intervention and development.

Secondly, the study has suggested the use of a more nuanced and all-encompassing interpretation of location, density, integration and affordability in the housing market. Fundamentally, better understanding of the outcomes in the housing market creates an opportunity for innovative thinking when allocating resources and engaging the private sector. Furthermore, this study makes a contribution by suggesting specific areas for policy intervention to enhance the outcomes in the affordable housing market. For instance, the study showed that organised provision of land available in good locations at an affordable price enhances location, density and affordability. As a rider to state land disposal mechanisms, this study argued that providing land may reduce the cost and ensure good locations but has not achieved the desired levels of density and affordability. In certain instances, the state showed reluctance in providing land because neither does it benefit the beneficiaries nor attain policy goals. In this regard, the study argues for a structured way of making land available to the private sector and subsequently to the beneficiaries. It makes proposals for harmonising the

development of affordable housing with the planning system to ensure that affordable housing forms part of the City's strategic planning. In addition, specific interventions to enhance location are in aligning the land disposal strategies with developer's ideologies and strategic allocation of land based on tenure and income levels.

Planning and housing policies have shaped the densities, integration and affordability of affordable housing. This study argued that the subsidy structure and the application of planning regulations impacted on densities and integration. In this regard, it argues that flexibility and diversity in the subsidy structure as well as targeted planning regulations may enhance density and integration in terms of tenure and income levels. It was noted that, in as much as there are regulations to promote integration, racial integration requires a more sophisticated view than forcing different races to co-live. Specific interventions to enhance densities and integration are targeted at revising the subsidy structure, incentivising the private sector to develop at higher densities, packaging of developments and changing the perspective of racial integration to shared facilities than actual developments. The study has shown that administrative structures are associated with costs. By identifying the areas causing delays in the City's administrative process, this study recommends streamlining some processes to create a conducive environment for developers.

7.4 LIMITATIONS OF THE STUDY AND AREAS FOR FURTHER RESEARCH

The fieldwork was carried out in the City of Cape Town during a period when affordable housing was leading the political agenda. In September 2017, the Mayor of Cape Town unveiled seven sites that were earmarked for affordable housing and deemed to be well located. This received extensive media coverage, at the same time the City requested prospective developers to submit development proposals for those sites. This led to an increased need for confidentiality as the role players were aware of the sensitivity and reputational consequences of commenting around such a topic. It is against this backdrop that the fieldwork was conducted. Consequently, some of the limitations encountered included difficulties in scheduling appointments with City officials and high level of censorship in terms of sensitive questions. The same level of uneasiness with discussing some topics was experienced at the provincial Department of Human Settlements.

The challenge in conducting a household survey was the inability to access developments. Challenges were mainly encountered in developments with freestanding houses where beneficiaries were either unavailable or unwilling to participate. It was also noted that after a successful interview with a developer, the development could not be accessed because of

safety concerns perpetuated by gangsters. As such, a highly informative interview would be discarded.

In order to mitigate the challenges faced, it was acknowledged that housing is a sensitive and highly politicised issue in Cape Town. Therefore, gaining access into the identified developments required assistance from the developer, community leaders or another well-known resident. This was meant to thaw the suspicion on the main purpose of the study and use of the information collected.

Another challenge was encountered in mixed developments that accommodate various housing types such as BNG, FLISP, social housing and market related housing. The development occurred in phases despite the developer acquiring full development rights for a mixed development. A situation ensued where a BNG housing development was developed first, hence the beneficiaries or respondents were for low-income not affordable housing market. It was decided that the household survey for the first phase of the development would be used and necessary inferences and assumptions made to ensure unbiased conclusions.

It is acknowledged that it is impossible to cover all areas of a research field in a single study. The study notes that there is need to investigate further the determinants and indicators of location, density and integration of affordable housing developments across the country, bearing in mind that there are variations across cities. Secondly, because of limited time, this study focused on developments in the City of Cape Town. To enable wider applicability this study should be extended to other developments across the country and increase the number of developments per developer to be investigated. This is to clearly establish the impact of structural variables on the role players in different areas to allow for wider comparison and policy design.

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Housing Policies and Legislation

Breaking New Ground: A comprehensive plan for the development of sustainable human settlements (2004)

Framework for an Inclusionary Housing Policy in South Africa (2007)

Housing Act (No. 107 of 1997)

National Housing Code (2009)

National Development Plan (2011)

Outcome 8: Create Sustainable Human Settlements and Improved Quality of Household Life (2010)

Prevention of Illegal Eviction from and Unlawful Occupation of Land Act (No. 19 of 1998).

Rental Housing Act (No. 50 of 1999)

Social Housing Act (No. 16 of 2008)

Social Housing Policy for South Africa (2005)

White Paper on Housing (1994)

Planning policy and legislation

Spatial Planning and Land Use Management Act (Act 16 of 2013)

Development Facilitation Act, 1995 (Act 67 of 1995)

Municipal Systems Act of 2000 (Act 32 of 2000)

White Paper on Spatial Planning of 2001

Other legislation

Constitution of the Republic of South Africa (1996)

Municipal Finance Management Act (Act 56 of 2003)

Public Finance Management Act (1 of 1999)

INTERVIEW SCHEDULE

POLICY MAKERS AND POLICY IMPLEMENTERS

A: Background Information

1. What is your position?
2. What are your responsibilities?

B: Structure

B1: Ideas

1. What is the general perception at the city on developing affordable housing that is integrated, well-located and at appropriate densities? Is it believed to be achievable?
2. Is there political buy-in and support from all levels of the municipality on these ideas?

B2: Resources

Land

1. Does the city own land? Is that land potentially available for affordable housing? And where is that land located?
2. If it is private land, how is it acquired for affordable housing?
3. What are the challenges faced in releasing or allocating this land for affordable housing?

Funding/ Capital

4. Does the city have a funding mechanism to promote the development of affordable housing?
5. Are there any subsidies/ planning bonuses offered towards affordable housing development?
6. What challenges are faced in trying to access financial resources that stimulate/ support the development of affordable housing? How can these challenges be mitigated and what could be done better?

B3: Policy /Rules/ Regulations

7. What rules/ procedures are used to access public land and make it available for affordable housing?
8. What rules/ procedures are used to access funding for affordable housing?
9. What challenges are faced when using these particular frameworks for accessing land and finance? Is it constraining/ enabling the delivery of affordable housing? What could be done better?
10. What rules are applied to the actual development of affordable housing- in terms of development applications? Or what planning regulations guide the development of affordable housing?
11. How are parking, density and height restrictions enforced in affordable housing developments?
12. Are there any special policies or bylaws for dealing with affordable housing?
13. In what ways does planning impact on affordable housing projects in terms of location, density? What is the planning system doing to provide well-located land for affordable housing and to achieve integration?
14. Does the change in housing policy or a new housing programme influence the planning activities at municipal level? i.e. the drafting of strategic documents (*land allocation for housing is indicated in the SDF and other strategic documents*), bylaws.
15. After a new housing programme, is there communication between the Department of Human Settlements and the Planning Department at local level on how the policy should be implemented?

16. Are planning regulations applied differently to address the need identified in the housing policy?

C: Agency

Roles

1. What role does the city play in the development of affordable housing?

Strategies

2. How are housing programmes reflected in the strategic documents at municipal level?
3. What strategies do the city have to develop integrated affordable housing that is well-located and at appropriate densities?
-Do you regard the 'urban edge' as a constraint/ enabler for affordable housing development?
4. How best can the city support developers in providing affordable housing? And what can be done differently to enable the development of affordable housing?

Interests

5. How does the city balance the competing interests of various groups when providing affordable housing? In case of objections, how does the city decide on proceeding with project- NIMBY

<p style="text-align: center;">INTERVIEW SCHEDULE</p> <p style="text-align: center;">AFFORDABLE HOUSING DEVELOPERS</p>
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A: Background Information

1. Name of the company
2. Size of the company
 - (a) How many employees do you have?
 - (b) What is the annual turnover?
3. What is your position in this company?
4. What type of housing developments is the company involved in?
5. Are there any reasons why you are focusing on these developments?
6. How long have you been involved in affordable housing developments?

B: Project Background

1. Can you tell us about the project?
 - (a) What type of development is it?
 - (b) How many units are there?
 - (c) What were the project objectives?
 - (d) Who were the key role players and what roles did they play?
 - (e) How long did the project take?
2. What role did you play in this project?

C: Structure/ Institutions

C1: Resources

Land

1. How did you acquire this land?
2. Why did you choose this site for this project?
3. Where there any other alternative sites available with similar development potential?
4. Where there any physical constraints on this land and how did you deal them?
5. What challenges did you experience during land acquisition and how did you resolve these challenges?
6. In terms of land rights, what was this land zoned for?
7. How did you acquire the land rights?
8. Did the available land rights limit the development potential of the land?
9. Where the any challenges faced in acquiring land rights?

Funding/ Capital

1. How was the project funded: -land, construction, bulk services, acquiring planning approvals?
2. How much did the whole project cost?
3. What percentage was state funding and how much was private?
4. How did you access the subsidies/ state funding?
5. What challenges did you experience in accessing funding and how did you overcome these challenges?

Labour

1. How was this project carried out? Was there any work you subcontracted? (construction, planning and other specialist services)
2. How was the relationship between the developer and the contractors?
3. Did this arrangement had any implications on the total cost of the project and the affordability of the units?

C2: Rules and regulations

There are property development, planning and housing programme regulations that you had to comply with.

1. In what ways did planning and building regulations affect the location and cost of this project?
2. Which specific planning and building regulations did you have to comply with?
 - (a) How did you deal with EIA matters?
 - (b) How did you deal with the building regulations around density, parking and height restrictions; and how difficult was it to comply?
 - (c) Should building standards, parking requirements and density controls have been relaxed?
 - (d) How long did it take for the township establishment application be approved?
 - (e) Were you required to provide community infrastructure?
3. Do you regard the 'urban edge' as a constraint for affordable housing development?
4. Did you face any challenges in complying with any of these regulations and how did you overcome these challenges?
5. What changes would you recommend to planning and building regulations in order to promote well-located, integrated and affordable housing development?

C3: Ideas

There has been a lot of discussion about integration, appropriate locations for housing the poor and at what density.

1. What do you think about integration in housing developments? Is it good/bad and is it achievable?
2. What do you think about the current location and densities of affordable housing in relation to the proposed location in the CBD and surroundings?
3. Why are you involved in affordable housing developments?

D: Agency

Strategies

1. What makes it difficult to provide affordable housing?
2. What are the key issues that you faced in this project and how did you overcome them?
3. What planning issues hold you back in providing affordable housing?
4. Are the planners supportive/ not supportive throughout the development process?
5. What can be done differently to improve the affordable housing development process?

E: Investment Returns

1. Is the affordable housing market riskier than the wealthier housing market segments?
2. Are the returns higher in the affordable housing market segment? What returns were achieved on this project?
3. What was the total development cost per square meter on this project?
4. What is the upper limit of the sale price/ rental of units in the affordable housing market?

QUESTIONNAIRE

AFFORDABLE HOUSING BENEFICIARIES

1. Background Information

a. Name of the project: _____

b. Sex✓

1. Male
2. Female

c. Race✓

1. Black
2. White
3. Coloured
4. Chinese
5. Indian
6. Other

d. Age (Years)✓

1. Under 30
2. 30-39
3. 40-49
4. 50-59
5. 60-69
6. Over 70

e. Number of dependents✓

1. 1
2. 2
3. 3
4. 4 and above

f. What is your highest formal education?✓

1. None
2. Primary education
3. Secondary education
4. College/ University
5. Other (Specify)_____

g. What is your employment status?✓

1. Unemployed
2. Self-employed (Specify)_____
3. Public sector (nurses, teacher, soldiers, police)
4. Private sector (Bank teller, mechanics, security guards, shop assistants)

h. Income level (per month)✓

1. R0-R1500
2. R1501-R3500
3. R3501-R7500
4. R7501-R10 000
5. R10001-R15000
6. R15000+

2: Tenure, Location and Affordability

a. Where did you live before you came to live here?✓

1. Shack
 2. Backroom/ Backyard shack
 3. Rented a room
 4. RDP house
- Other_____

b. What is your accommodation status?✓

1. Owner
2. Renting from the developer
3. Renting from the owner
4. Other (Specify) _____

c. Size of the house/ unit✓

1. 1 bedroom
2. 2 bedrooms
3. 3 bedrooms
4. 4 bedrooms and above

d. How much are you paying towards bond repayment/ rent? (Specify)_____

e. Where is your place of employment? (Location e.g. Cape Town CBD)

f. What process did you follow to get this property?✓

1. Social housing subsidy
2. FLISP subsidy
3. Bank financing
4. Other (Specify)_____

g. Are you happy with the location of this housing development in relation to your place of employment, neighbourhood and other social services?✓

1. Yes
2. No

Comment_____

<p>QUESTIONNAIRE</p> <p>DEVELOPERS SERVICING THE AFFORDABLE HOUSING MARKET</p>
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- (a) How many employees do your company have? ✓
1. 1-10
 2. 11-20
 3. 20-30
 4. 31 and above
 5. I don't know
- (b) What is your annual turnover? ✓
1. Less than R1 million
 2. R1 million to R10 million
 3. R11 million and above
- (c) What is your position in the company? (Please fill in) _____
- (d) What type of developments in the housing market is the company involved in? [✓ Tick as many as you are involved in]
1. BNG subsidised housing (<R3500pm)
 2. CRU Housing (R800- R3500pm)
 3. Affordable/ GAP/FLISP housing (R3501-R15000pm)
 4. Social housing (R3500-R7500pm)
 5. IRDP/ Mixed housing developments
 6. Medium to high income housing (R15000+)
- (e) What type of company are you? ✓
1. Non-profit making
 2. Profit making
- (f) How do you acquire land for housing development? ✓
1. Government tenders
 2. Open market
 3. From government other than by tenders
 4. From private land owners
- (g) Do you practise land banking? ✓
1. Yes
 2. No
- (h) If Yes, why do you practise land banking? (✓ Tick more than 1)
1. To minimise development risk
 2. To maximise development profits-by maximising the difference between land and house prices
 3. To manage the output of property into the market
- (i) What challenges do you face in land acquisition? (✓Tick more than 1)
1. The price of well-located land is too high
 2. The available land is not well located
 3. The available land lacks development potential in terms of infrastructure and development rights
 4. The process is too cumbersome
 5. Land with physical constraints

- (j) What are the critical issues in land acquisition? (Rate in order of importance)
- | | Important | Very Important | Less Important | Not Important |
|---|-----------|----------------|----------------|---------------|
| 1. The price of well-located land is too high | 1 | 2 | 3 | 4 |
| 2. The available land is not well located | 1 | 2 | 3 | 4 |
| 3. The available land lacks development potential in terms of infrastructure and development rights | 1 | 2 | 3 | 4 |
| 4. The process is too cumbersome | 1 | 2 | 3 | 4 |
| 5. Land with physical constraints | 1 | 2 | 3 | 4 |
- (k) What challenges do you face in acquiring land rights? ✓
1. Objections from neighbours
 2. Delays in getting planning approvals
 3. Problems with fulfilling planning requirements
 4. Building, parking and density controls are too rigid
 5. Too many parallel processes involved
- (c) What are the critical issues in land rights acquisition? (Rate in order of importance)
- | | Important | Very Important | Less Important | Not Important |
|---|-----------|----------------|----------------|---------------|
| 1. Objections from neighbours | 1 | 2 | 3 | 4 |
| 2. Delays in getting approvals | | | | |
| 3. Problems with fulfilling planning requirements | 1 | 2 | 3 | 4 |
| 4. Building, parking and density controls are too rigid | 1 | 2 | 3 | 4 |
| 5. Too many parallel processes are involved. | 1 | 2 | 3 | 4 |
- (d) How do you fund the housing projects? ✓
1. Government subsidies
 2. Debt financing
 3. Equity
 4. Pre-sales
- (e) What challenges do you face in accessing funding? ✓
1. Insufficient government subsidies
 2. Lack of support from the finance institutions
 3. Cost of funding/ High Interest Rates
- (f) How do you carry out the housing projects? ✓
1. In house labour (contractors)
 2. Subcontract all the work to contractors
- (g) Does this arrangement have implications on the total cost and affordability of the project? ✓
1. Yes
 2. No

There are property development, town planning and housing regulations that you have to comply with. Below are some statements that describe experiences dealing with these regulations. Indicate whether you agree or disagree by clicking on the number below:

- (h) Planning regulations affect the location and cost of a housing project ✓
1. Agree
 2. Disagree
 3. Not sure
- (i) The planning authority is flexible in exercising parking, density and height restrictions ✓
1. Agree
 2. Disagree

3. Not sure
- (j) Building regulations around parking, height and density controls should be relaxed ✓
 1. Agree
 2. Disagree
 3. Not sure
- (k) The township establishment and EIA process are timeous and bureaucratic ✓
 1. Agree
 2. Disagree
 3. Not sure
- (l) The urban edge is a constraint for affordable housing development ✓
 1. Agree
 2. Disagree
 3. Not sure
- (m) What do you think of integration of income groups and housing types in affordable housing ✓
developments?
 1. It is good and achievable
 2. It is good and not achievable
 3. It is bad and not achievable
- (n) What are the barriers to achieving integration in housing developments? ✓
 1. Integration is not profitable
 2. Integration of housing types has a negative effect on property values
 3. It is difficult to get tenant buy in into a mixed income development
- (o) What makes it difficult to provide affordable housing? ✓
 1. Inadequate government subsidies
 2. The quantity of land allocated for affordable housing is insufficient
 3. Lack of support from the government in terms bulk infrastructure
 4. Delays in getting statutory approvals
- (p) Is affordable housing market riskier than the wealthier housing market segment? ✓
 1. Yes
 2. No
- (q) If yes, Why? ✓
 1. Rental defaults
 2. Vacancy risks
- (r) Are the returns higher in the affordable housing segment? ✓
 1. Yes
 2. No

(bb) What changes would you recommend to planning and building regulations to promote well located, integrated and affordable housing development? (Please fill in)
