INNER-CITY HOUSING: AN EXPLORATION OF ALTERNATIVE APPROACHES FOR CITY REGENERATION THROUGH THE 'HOUSING INCLUSIVITY LENS'

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Abstract

Housing unaffordability has become a common phenomenon around the globe. The rate of demand for affordable housing around inner cities has seen a rise over the past couple of decades, yet the supply has not been able to keep up and has fallen far behind. In South Africa, historically, the apartheid regulations and practices forcefully removed families of colour from inner-city areas. The current state-led housing programmes in South Africa have continued to perpetuate these apartheid policies through continuing to provide housing on the periphery of the towns and cities. The private sector, incentivised by the State's inner-city urban regeneration programmes, has inevitably accelerated spatial segregation through systematic gentrification. As a result, inner cities have become unaffordable, further distancing the previously disadvantaged from economic and social opportunities and financial participation that are concentrated within inner-city areas.

There is therefore a need to consider housing inclusivity in development processes and policies and more so, practical approaches and mechanisms on how it can be implemented with inner-city developments. Concurrently, the concept of affordability needs to be explored to understand what makes inner-city housing unaffordable.

This research aimed to understand the underlying causes of unaffordability in the inner cities of South Africa, particularly in Cape Town, and the roles of the public and private sectors regarding the problems and solutions. The research intended to find appropriate responses and solutions to affordable inner-city housing provision, by examination of the policies and cost drivers that affect the development process and how their negative impact can be mitigated. This study purported to aid in finding a resolve for apartheid spatial planning, whilst building a broad understanding to the key issues around gentrification, inclusivity, and the 'right to the city' in the South African context. To identify alternative development approaches for more inclusive cities, the study made use of in-depth literature analysis and case study research which includes qualitative knowledge gained from interviews with the various role players in the housing development process. The study employed a purposive and snowball sampling method to acquire eleven participants that were interviewed.

The research ascertained that the lack of policy alignment between the national government and the City of Cape Town and unrefined approval processes are aiding in

increasing development costs, which are then transferred to the end-user. The research further determined that the lack of well-located affordable land possess a great challenge, yet there are large tracts of state-owned land in well located areas affordable housing development could occupy. Whilst the rest of the world moves forward in adopting alternative building technology that has advanced the industry, South Africa remains on the backfoot, though reluctancy to integrate these new methods into the traditional brick and mortar way of developments. A key recommendation is for the public sector to timeously release public-owned inner-city land that is well-located for affordable housing purposes, whilst also enabling a quicker development approval process for affordable housing projects. This amongst other interventions will serve as incentive to developers in the era of implementing the inclusionary housing policy which has stirred much controversy in its wake.

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Abbreviations

RDP	The Reconstruction Development Programme
BNG	Breaking New Ground
SHI	Social Housing Institute
FLISP	Financial Linked Individual Subsidy Programme
UDZ	Urban Development Zone
CBD	Central Business District
GDP	Gross Domestic Product
SAPOA	South Africa Property Owners Association
DAG	Development Action Group
DEADP	Department of Environmental Affairs and Development Planning
HWC	Heritage Western Cape
NHBRC	National Home Builders Registration Council
TDA	The Transport and Urban Development Authority

1. Introduction

Housing, across all countries in the world, is recognised as an interdependent phenomenon that inherently affects the social, mental, and physical well-being of an individual, regardless of race, socioeconomic standing, or creed (Marutlulle and Review, 2017). The United Nations Committee on Economic, Social and, Cultural Rights acknowledges everyone's right to an adequate standard of living which is inclusive of adequate housing (UN-Habitat, 2009). Section 26 of the South African constitution enlists this fundamental human right that states that "*Everyone has a right to have access to adequate housing".*

Lately, housing and its related issues - particularly the growth of informal settlements - have become a serious global epidemic that city planners and policymakers are struggling to solve (Zanganeh *et al.*, 2013). Congruently, South Africa has a housing problem, and this is not limited to affordable housing alone (DoH). The housing segregation brought about by the Apartheid laws has led to overcrowded, underserviced townships and increased numbers of backyard dwellers and informal settlements (Mubangizi, 2008; Ware, 2020). Rapid urbanisation and more so unplanned informal settlements pose a great challenge on the ability of the state to provide adequate housing, utility, health and education facilities, and services (Williams *et al.*, 2019). The inner-city decays over time if not managed, as seen in Mbabane-Swaziland (Ndlela, 2010) and similarly in early Johannesburg and Pretoria, due to periodic structural and political changes and municipality's failure in planning and land monitoring (Crankshaw and White; Ndlela, 2010; Reimink, 2014). The housing sector as time progressed, has evolved and now encompasses an amalgamation of open market forces, private sector firms, government policies, financing and facilitative intercessions, in addition to individual investments by the households (Mabin, 2020).

1.1 Background to Study

The lack of affordable housing for the urban poor as well as governance that is weak with the implementation of policy, planning, land, and urban management, has resulted in land speculation, land grabbing and has fuelled the housing challenge faced by many South African cities (Marutlulle, 2021). Economic vulnerability, unemployment, low paying work, direct and indirect discrimination, and in some cases natural disasters also

contribute towards the housing challenge and aids in increasing homelessness (UN-Habitat, 2015). Some of the pertinent challenges that need to be dealt with in order to lay the foundation for responding to the crises in affordable housing in South Africa are briefly reviewed in the following sub-sections.

1.1.1. Apartheid Policies

In 1948, the National Party government called for the separation of racial groups in South Africa, making segregation part of the law (Coleman, 1998). One of these laws was the Group Areas Act of 1950. This act birthed the physical separation of races in urban areas through systematic segregation and called for the removal of people of colour into areas set aside for their racial group (Horrell and Cillié, 1978). The promotion of the Bantu Self-Government Act of 1959 dictated that different racial groups must live in different (mainly rural) regions in order to rid the "white areas" of "black spots" and move all of the black people out of the cities (Allen, 2005). Between 1960 and 1994, more than 3.5 million people were forcibly removed from their homes and into these areas, eliciting poverty for generations of citizens of colour.

Within the cities, CBDs were declared as 'white' areas by the apartheid authorities, resulting in 'black' and 'coloured' residents being forcefully moved into townships on the outskirts of these areas. The most common removals are those in District 6 in Cape Town, Sophiatown in Johannesburg and Lady Selbourne in Pretoria (Dingake, 1987). The Apartheid state tolerated some 'blacks' in urban areas as 'insiders' and were controlled through the 'dompas' system. In Cape Town, large numbers of people were forcefully evicted from inner-city mixed areas (such as Salt River and Woodstock) that were declared 'white' areas and moved to purposefully create dormitory townships such as Gugulethu, Heideveld, Langa and Manenberg (Smith, 2003).

Following the worker strikes in 1960 – Anti Pass day, the leasehold tenure that prohibited African people to rent from white people was suspended (Smith, 2003). Following the Soweto struggle in 1976, the Transvaal Chamber of Commerce promoted the need for a stable urban Black middle class and called for expenditure in housing and amenities for this to happen. In 1985, the apartheid government promised to promote homeownership through the Development and Housing Act. This however did not suppress the increasing housing shortage. In the late 1980s, it became increasingly difficult to contain the violence, township conflicts all due to overcrowding (Hindson *et al.*, 1994). This was

followed by some groups of black people seeking escape and migrating from the urban periphery into inner cities and urban core, increasing squatter camp pockets in these areas (Morris and Hindson, 1992). Due to the growth of political instability in these times, local authorities became reluctant to implement forced removals.

1.1.2. Post- Apartheid Housing: Policies and Initiatives

In the early 1990s, apartheid housing policies were challenged which led to a gradual disjointed abandonment of the racial foundations of reform (Mabin, 1991). In this time, influx control was ended and in 1992, the same transpired to the Group Areas Act (Morris and Hindson, 1992). In 1994, democratic elections were held and the new government set a housing delivery target of one million low income houses (Marais and Krige, 1999). This was motivated by Section 26(2) of the Constitution of South Africa, 1996, Act 108 of 1996 that states: (1) *Everyone has a right to have access to adequate housing* and (2) *The state must take reasonable legislative and other measures within its available resources, to achieve the progressive realisation of this right*.

In the new democratic era, the government introduced the Reconstruction and Development Programme (to be referred to as RDP). This was a means to have an integrated and clear socio-economic policy that would redress the imbalances of the apartheid by providing decent housing to the poor, who were victims of the land segregation policy by the apartheid government and could not afford housing on their own (Bailey, 2017). The RDP included subsidies to low-income households which ensured a piece of land with a basic brick house with sanitary and water services. Between 1994 and 2010, close to three million units under RDP were constructed (Fuller-Centre-Report, 2014).

Despite these efforts, there is still a 2 million and rising backlog in housing. Other rising concerns with RDP housing include the location of the houses. Due to the low land costs, these houses are built on the outskirts of cities which are far from proper infrastructures. These are shopping centres, offices, factories and other forms of business locations that can provide the residents with jobs (SACN, 2016). By so doing, this perpetuated and mirrored apartheid policies that aimed to push the marginalised out of inner cities areas. Moreover, the system suffered abuse by many beneficiaries, most evident with the delivery of poor-quality housing. Inferior materials were used, while the size of the units was too small to accommodate even basic core families as intended. In 1998, the

government saw an opportunity to improve on this and introduced the People's Housing Process (PHP), taking notes from other developing countries that had adopted such 'self-help' housing programmes such as Brazil, India, Nigeria and Zimbabwe (Gumbo and Onatu, 2015). The PHP foresaw contractors training housing owners to build their own homes and, in the process, acquire skills that, in the long term, would benefit them. Housing subsidies were made available to people that would build or organise the building of their homes using 'sweat equity'. The main challenge with this programme in South Africa was the excessive involvement of the government. Gumbo and Onatu (2015) established that through its agencies and representatives, many prescriptions, controls and deviations were implied which lead to low uptake and delivery of low-income housing through this approach.

Conversely, the people-centred housing interventions such as the RDP and the PHP, the state adopted the Growth, Employment, and Redistribution plan in 1996, commonly known as GEAR (Maharaj, 2002). GEAR focused on economic development strategies through public and private sector partnerships, with the aim of stimulating faster economic growth required in order to address the increasing social needs. This policy was aimed at reducing fiscal deficits, lowering inflation, maintaining macroeconomic stability and increasing accountability (Mudzamiri, 2009). GEAR's neo-liberal position was criticised by labour movements; Saff (1996) argued that this policy did not favour the poor as it neglected the goals of reducing poverty - redistribution of wealth and job creation as was central to RDP.

1.1.3. Why the Inner-city? – Role and Importance

In the post-apartheid era of urban reform, the focus and challenge are first, to alleviate the incongruities resulting from past apartheid policies, and secondly, to create new policies that will enable more efficient and impartial urban centres that can contribute optimally to national economic growth and development (Dauskardt, 1993).

The inner-city is the centre or the anchor of a metropolis. Urban planning and geographical researchers have shown that the inner cities and CBD zones are crucial in organizing some form of modern society and are the node of civic life (Roulac, 2003). They exert a strong influence on specific spatial patterns and inform decisions on urban form and the quality of a life in household (Porter, 1995). Roulac (2003) highlights that the inner-city is critical for a society's cultural and institutional function, it is also where

government buildings are located as well as most major hospitals and tertiary institutions. In the theory of the 'cluster based' economic analysis and strategic development', Melnick (1997) expresses that a distinctive geographic concentration of companies in related fields is key to competitiveness for both enterprises and regions which fuels economic growth. This allows firms to decrease transactional costs, increase capacity for innovation, positively exploit each other's specialties, while clustering provides companies and the economy with a competitive advantage. Consequently, these clusters tend to form in inner cities, as inner cities are advantageously located in crossroads links to other places of interest. Inner cities can be distinguished from other places in the periphery of the city by their ability to capture greater customer patronage on more effective transportation platforms. Inner-cities are a representation of distinct opportunity (Roulac, 2003). Many businesses, households, and individuals pursue the inner-city as a place of consideration. Figure 1, below, illustrates the multiple considerations of contextual place, local settings, urban form, personal space, and other factors including the global context where the inner-city serves for different but all-important functions.

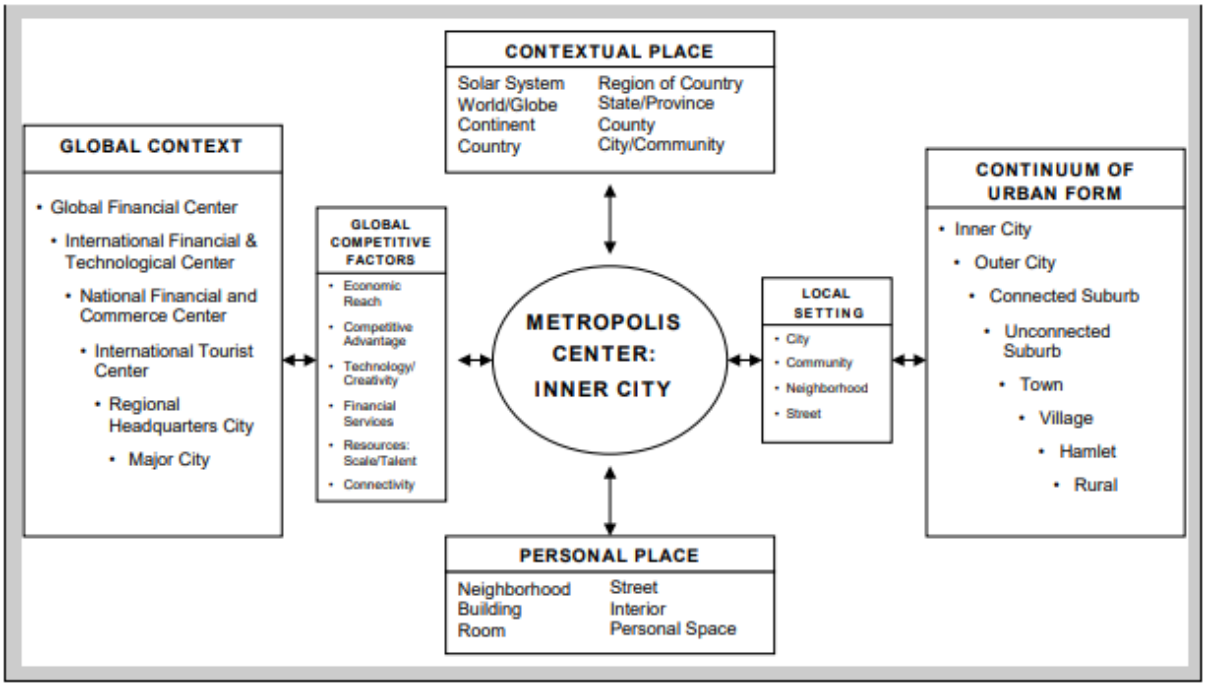

Figure 1: Strategic Significance of the Inner-city (Roulac, 2003)

1.1.4. Urban Regeneration

Cities are constantly in a state of continuous change as the lives of their people evolve, thereby changing the role of urban areas. Change occurs in response to several factors including wars, disasters, political and economic changes. Clark (1989) attributes inner-city decay to be a crucial indicator of the deterioration of the financial, economic, social, and political backbone of a city.

Urban regeneration can be defined as the process of trying to improve the quality of life in an area and bringing back employment, consumption and investment to urban areas (Couch *et al.*, 2008). Although regeneration can be said to be revitalization to the inner-city, Magwaro-Ndiweni (2010) expresses inner-city revitalization as an approach to reverse ongoing physical deterioration, social decomposition and economic failure that excludes urban areas and their inhabitants from the city-wide urban development process.

To stimulate the renewal and regeneration of cities, local governments have embarked on paths to explore state-marked relationships with measures such as tax incentives, land-use control amongst others, to attract the private sector investors to inner-city areas on the decline (Ngwabi, 2009). Around the 1980s, especially in the United States, governments started to offer tax incentives to private sector developers or individuals to foster area-based regeneration (Amirtahmasebi *et al.*, 2016a). Research shows that these incentives started to close the gap between the cost and the value after the construction of developments in inner cities. The use of tax incentives was also adopted in the United Kingdom primarily as Enterprise Zones (EZ) which targeted job creation in distressed precincts and developing vacant and underused land (Atkinson and Moon, 1994; Amirtahmasebi *et al.*, 2016b). However, McGreal et al. (2002) implore that as a result of market forces, it is unlikely that development will occur in areas of economic and structural decline, effectively no developer would take the risk.

In 2003, the South African Ministry of Finance launched the urban development zone tax incentive programme, with the implementation assistance from local municipalities. This allowed municipalities to designate priority areas of development where regeneration was indispensable. This tax incentive was to be applied in 16 municipalities in South Africa and was relevant to erections, extensions, additions, or improvements to land or

buildings within the Urban Development Zones (UDZs) (Mwangala, 2010). The UDZ tax incentive works in the form of an accelerated depreciation from eligible taxpayer's taxable income, that is if the income is related to the erections, extensions, additions, or improvement on a property within the designated zones, but also including purchases of property within these areas. Though the policy has since been altered numerously to make it more practical and relevant to current needs, one of the most significant changes to this policy that fuelled regeneration was Section 13 quat of the Income Tax Act which extended the tax break to sectional title ownership. This opened the possibilities of property ownership to the public, as this increased affordability. The tax allowance is calculated at different rates, depending on the type of property involved. The deduction percentage applicable is either on 55% of the purchase price of the building or part of a building, in the case of a new building erected, extended or added to by the developer and 30% of the purchase price of that building or part of a building, in the case of a building improved by the developer (National-Treasury, 2004).

It has been argued that the UDZ incentives in the course of promoting development has instigated gentrification. As developers and business owners buy properties and redevelop the neighbourhood, the evictions of long-term residents are promoted. This is a matter not well received by most communities in the UDZ's such as Woodstock and Salt River where there is a strong history of mass evictions from the apartheid era (Rolls, 2016). It is argued by scholars that there is a tipping point from 'regeneration' to 'gentrification' when displacement occurs as a result of urban transformation .

1.1.5. Gentrification

Consistent with Hindson *et al.* (1993), Maharaj (2002) states that the modern-day South African cities reflect the discourse of apartheid urban planning. This is characterised by discontinuous settlement patterns that echo racial fragmentation. These patterns display the disorganized, dysfunctional and inefficient spatial ordering and land-use mismatches (Khan and Maharaj, 1998; Maharaj, 2002). In contemporary South African cities, as in the apartheid era, the poor are still in rather high-density areas on the city peripheries and the rich in the core intermediate urban areas.

Boal (1976) declares that previously the inner-city offered the working-class communities and immigrants the tangible benefits of affordable housing such as using proximity to places of work and schools, and public transport. Furthermore, it also

provided immigrants with a support network of religion, language, and culture providing some sense of security and belonging (Boal, 1976). In the late 1970s, there was a spatial shift brought about by succession and invasion as the inner-city's poor and working-class were displaced by the young, affluent white families moving inwards from suburbs to inner-city. The Group Areas Act enforced by Apartheid law enabled the uprooting of whole communities in inner cities in South Africa with the exception of areas such as Bo-Kaap, Walmer Estate, and Woodstock which were treated as 'controlled areas' pending decisions on their racial composition (Garside, 1993).

Today, South African cities have been going through significant waves of change with new spaces for living, working and leisure being constantly in demand. The renewal of neglected and dilapidated spaces was regarded as imperative for meeting the demand for housing close to jobs, schools and essential amenities; moreover, because inner cities are central for racial desegregation (Garside, 1993). However, underlying this physical change in the urban landscape are definite economic, social, and political forces responsible for re-shaping advanced capitalist societies.

Urban regeneration transforms decaying and disinvested city centres into thriving middle-class residences and commercial hubs (Davidson, 2008; Lees, 2012). Gentrification acknowledges that economic, social, and physical change to an area can result in class transformation and displacement for those living and operating businesses (SACN, 2016). Smith (1987) stipulates that gentrification involves not only a social change but correspondingly, a physical change in the housing stock and an economic change in the land and housing market. It can therefore be agreed that gentrification leads to changes in the social composition of a neighbourhood and its inhabitants; moreover, it also poses major changes to the housing stock (tenure, price, condition) (SACN, 2016).

1.1.6. Affordability and Sustainable Housing Finance

Key contributors to the housing challenge are affordability and access to sustainable housing finance (Massyn *et al.*, 2015). McGaffin (2018b) concludes that the ability to pay for a new house is subject to the household's income and creditworthy amongst other things. Unfortunately, approximately 75-80% of households in South Africa earn incomes less than R20 000 and are also indebted with poor credit records (PMBEJD, 2019). The term affordability itself is one that many scholars have found complex to define, especially in the context of housing affordability. Robinson *et al.* (2006) define

affordability as being able to pay without incurring financial difficulties, and this is followed by the question of 'how one resolves when they are in financial difficulty?'. Burke *et al.* (2004) corroborate this by looking at affordability as the capacity of households to meet housing costs while maintaining the ability to meet other basic costs of living. This is argued by Housing-New-Zealand-Corporation (2005) that housing affordability is not merely a matter of housing costs and income levels, but also people's ability to attain housing and to stay in it. Foreclosure is a common enemy to households. According to researchers, year after year, South Africans across the nation lose their houses to financial institutions due to the inability to continue paying for the house (Marais and Krige, 1999; Luüs, 2005).

Since work and social opportunities are not evenly spread out in the city, there is a need for a geographical analysis as affordable housing stock that is not available where it is most critically needed, that is the inner-city. Opposingly, the state-led housing subsidy programmes have not provided high-density affordable housing in good locations (Hogarth, 2015). As a result, more money and time is spent by city inhabitants commuting rather than being directed toward productive usages that increase socio-economic mobility and decrease dependency on the state (Turok and Watson, 2001). McGaffin (2018b) noted that the majority of the graduates and public servants earning R3500–R15 000 per month cannot afford to live in the inner-city where service-related jobs are widely held. The South African Government defines this as the 'gap market' (Coetzee, 2018). This consists of people that are considered "too wealthy" to receive free-government subsidies houses, yet "too poor" to qualify for mortgages and lending streams offered by financial institutions. To date, the government has adopted approaches such as the Financial Linked Individual Subsidy Programme (FLISP), an income-based subsidy to bridge this affordability gap. Unfortunately, developers have since raised concerns on the raising capital costs of these houses, making affordable housing unaffordable in the inner-city (McGaffin, 2016).

In the efforts to ensure the development of affordable housing that is well located and close to public transport and business hubs, in 2018 the City of Cape Town embarked on a prospectus and RFP process. This was curated to facilitate the development of mixed-income and mixed-use affordable housing in some of the UDZ's in Salt River, Woodstock, Bo-kaap and many more (City of Cape Town, 2018). Whilst various pockets have been

said to be allocated for this purpose, no official plans have been put in place (Payne, 2019). Charles (2019) reported that the city was under immense pressure as it received objections on foreshore developments from groups such as Ndifuna Ukwazi because of the lack of inclusionary housing affordable to the average family in South Africa.

In this dissertation, a more appropriate, spatially sensitive definition of affordability will be recognised. These definitions will consider house prices and the median incomes of the households needing to locate in the inner urban areas of South African cities.

1.1.7. Land Use

Turok (2013a) hypothesizes that unlocking unused landholdings of state entities could accelerate infill development and densification. In addition, there is a need for legislation to empower metropolitans to acquire and swap land parcels, and to capitalise on the rise in land values that result from public investment to generate resources for reinvestment. Furthermore, it is a necessity to revisit land-use policies to see how they can better strengthen the role of spatial planning and correct spatial injustice.

One way to counter the spatial mismatch in major South African cities, while lowering the effects of gentrification, would be to offer accommodation opportunities in existing well-located areas such as the inner-city (Budlender *et al.*, 2016). Currently, where formal housing or rental accommodation is available on the inner-city, it is under-supplied (McGaffin, 2016).

1.2 Problem Statement

The problem to be addressed in this study may be stated as:

The inner urban areas of South African cities have high levels of employment opportunities with low levels and limited affordable houses, particularly for those earning between R3500–R15 000 per month (McGaffin, 2018b). Previously, the Apartheid laws forbade and removed people, especially those of colour from inner-city areas. The post-1994 housing programme of the State has perpetuated the apartheid policies by continuing to provide housing on the periphery of the towns and cities. The state, through the UDZ programme, has assisted the private sector with urban regeneration but inevitably accelerated spatial separation through systematic gentrification. As a result, inner cities have become unaffordable to those who need to stay there due to economic and financial reasons. It is argued that a wide range of

alternative approaches for inner-city regeneration is possible, which negates the impact of gentrification and results in more inclusive and affordable housing opportunities. This research intends to explore these alternative approaches for regeneration that may lead to more inclusive inner cities in South Africa.

1.3 Research Question

The main research question to be addressed may be stated as:

> ***What are the alternative approaches for city regeneration through the 'housing inclusivity lens'?***

Sub-question 1

What are the effects of apartheid spatial planning and more recently gentrification on inner city housing in South Africa? What actions have the public sector taken to enable more inclusive inner urban housing?

Sub-question 2

> *What development mechanisms can be explored to enable more inclusive inner-city urban housing in South African cities?*

1.4 Research Aim and Objectives

The intended aim of this research is to:

a) Build a broad understanding of the key issues around gentrification, inclusivity and 'the right to the city' within the South African context. Understand the underlying causes of unaffordability in inner-city housing and the roles of the public and private sectors
b) Explore alternative approaches to more inclusive and affordable inner city housing developments.

1.5 Research Proposition

The alternative approaches for city rejuvenation through an inclusivity lens are rooted in the amalgamation of public and private sector together with the voices of the gap market that is being excluded from the inner city. There is a need to consider the cost of housing development in the face of inclusivity and how it can be reduced in inner-city developments. Therefore, by using inclusivity as an analytical lens, a critical

understanding is required of what makes inner cities unaffordable as well as the impact of gentrification and current development practices. The proposition is that inner-city housing can be facilitated by the state through appropriate policy, political, financial, regulatory, process, land and infrastructure development interventions.

1.6 Research Methodology

To achieve the research objectives and answer the research questions, this research took a case study, qualitative approach, and is holistic and inductive in its assumptions. This means that the problem at hand was assessed in its entirety to ascertain the factors influencing the shortage or lack thereof of affordable housing in South Africa. Furthermore, to understand how the public sector can play a hand in this. The research is inductive in its review of local and international literature relating to affordable housing and housing development dynamics, giving more context to the researcher. The literature review assisted in moulding the semi-structured research questions with which data was collected through online interviews with key individuals in the housing development process. The data were analysed, and conclusions were drawn on the research questions and recommendations made.

1.7 Scope of Study

The study is geographically limited to the South African context (mainly Cape Town) for the purposes of data collection and logistics for interviews.

1.8 Limitation to Study

The following limitations may apply to the research:

a) Challenges in obtaining a true report from interviewees due to the sensitivity surrounded by issues of apartheid and gentrification.
b) The case study is based on information from past research, surveys, interviews, and the research data is derived from that.
c) The research data collection process coincided with the COVID-19 pandemic, this made it difficult to reach participants and collect data timeously as planned.

1.9 Structure of the Report

The first chapter introduces the research topic by providing a background into the housing issues, specifically inner-city housing in South Africa. This chapter introduces

and highlights the effects of city regeneration that have led to gentrification and the repeating patterns of Apartheid housing segregation. The Chapter outline the aims and objectives of the research as well as the research questions drawn to map assist in the enquiry of alternative approaches to inclusive inner-city developments.

The second chapter examines the literature reviewed and theoretical background. This review is critical in investigating the issues around the housing challenges in South Africa and how housing developments can move towards inclusivity, beyond gentrification. Chapter two also discusses previous academic research on inclusionary housing and development methods in South Africa, and around the world, and further explores potential solutions for inclusive inner-city housing.

Chapter three describes the research methods that will be adopted; describing how the literature review and the interviews in Cape town were conducted. Finally, the research ethics will also be reviewed.

Chapter four discusses, analyses, and interprets the findings from the data collected.

Chapter five provides conclusions based on the findings and recommendations were also made in this chapter based on the findings and conclusion. A full list of references and appendices for the report is made available.

2. Literature Review and Theory

2.1. Introduction

After two decades of democracy, we are still sitting with millions of South Africans without access to proper housing, further in areas that are close to economic and social opportunities (Williams *et al.*, 2019). Potts (2020) theorises that the housing costs and household income disparity continues to grow on a global scale. She further highlights the dilemma of 'broken cities' that are a symptom of the global housing crisis affecting cities worldwide. This phenomena is evident in the homeless encampments in San Diego, the evictions in Sydney and the plethora of housing problems in South Africa (Potts, 2020). This chapter builds a conceptual framework that guides the discussion on housing inclusivity in the inner city, drawing from national and international literature on housing affordability and housing policies. An extensive literature review is provided in this chapter that will enable a further understating in the issues surrounding inner city housing and housing affordability.

2.2. Apartheid Spatial Planning

Turok (1994) apprises that under the apartheid ideology, black people were not only denied the right to own property but were removed from inner-city areas by the state and forced to live in publicly owned townships in the periphery of the city. The initial townships were provided with basic housing and services and some distance from the central business districts (Charman *et al.*, 2017). For many recent urban migrants, the only option remains un-serviced informal settlements. Urban planners of the apartheid regime worked to protect white privileges through spatial planning and land-use planning (e.g., zoning schemes) that gave them access to inner-city areas and land in affluent suburbs and in the same breath excluding lower-income groups (McCarthy, 1990; Madell, 2016). It is to no surprise that the South African urban areas of today are characterised by numerous inefficiencies, namely unequal access to economic and social opportunities, poorly located settlements for lower-income groups coupled with insufficient access to public transport (Du Plessis, 2014).

South Africa has had a long history of enacting housing policies and programmes post-apartheid, to redress the divided apartheid cities. Whilst there has been some changes

and desegregation seen in the middle class, the majority of the black and coloured communities still live in the urban periphery and in townships. Apartheid spatial patterns remain across the city, with most jobs and public facilities located in inner-city areas, requiring most poor residents having to commute long distances daily.

2.2.1. Why do Apartheid cities persist?

Todes (2006) cites that the post-apartheid urban spatial planning policies showed weakness founded on a planning approach that failed to address economic drivers of spatial planning and the role politics has in shaping cities or the diversified social needs for space. Although government policies aim to promote more compact and integrated cities, the subsidised low-cost 'RDP' housing programme only reinforced apartheid spatial patterns (Pillay *et al.*, 2006; Todes, 2006). Large tracts of land are available at lower rates in the periphery of the city, making it ideal, as construction is cheaper and easier to do at scale (Budlender *et al.*, 2016).

Budlender *et al.* (2016) and Pieterse *et al.* (2009) theorises that apartheid cities prevail 22 years later, courtesy of the housing policies themselves. The freehold titled housing programmes, such as RDP housing, have entrenched peripheral township developments for the less fortunate, thereby perpetuating apartheid spatial forms (Pieterse *et al.*, 2009; Turok, 2011). The root of the cause is prioritisation on the volume of RDP housing units provided over the location of delivery. Another reason for perpetuated spatial injustice is attributed to private sector developers' preference for residential and commercial developments in already established economic and social zones (Budlender *et al.*, 2016). This leaves the poorer areas underdeveloped and perpetuating existing spatial divides (Turok, 2013a).

2.2.2. Effects on Inner-city Affordability

Olanrele *et al.* (2019) affirm that most residential units provided in African cities come with such high prices that are beyond the economic capacity of the common people. The involvement of the private sector to complement government housing supply strategies has aggravated these prices, negatively affecting the low to middle-income groups. In Ghana and Nigeria, mirroring the situation in South Africa, the private developers have benefited grossly from housing shortages by selling units at high prices that can only be

afforded by the privileged high-income groups and political members, whilst gentrifying the minority groups (Addo, 2014).

StatsSA (2017) estimated 53% of South Africa as income poor. Stats SA gave evidence of the country's high inequality with a 2015 Gini coefficient of 0.65. Surveys suggest that 80% of Cape Town's households earn a gross income of less than R20 000 per month. McGaffin (2018a) notes that these households can afford to purchase a property of about R500 000 or rent of approximately R5 000. Property24.com (2020) report places the average prices for affordable and conventional house prices in Cape Town between R300 000 to R900 000 making up 32% of the housing stock in Cape Town and only 19% of the total available housing stock is priced below R300 000. Furthermore, the report shows that 51% of the housing stock comprises of properties over the value of R900 000 which fall under high end and luxury housing. Grounded merely by this assessment, one can begin to see where the unaffordability stems from. Although housing stock can be found that is affordable for those households earning below R20 000, it is geographically outside the boundaries of meaningful economic and social opportunity, that is, the inner-city. For these reasons, there is a need for a spatially-sensitive definition of affordability that takes into account the prices of housing in these areas and the median incomes of the households needing to be located there (McGaffin, 2018a).

2.2.3. Access to Housing Finance

A new subsidy instrument was introduced that focuses on the demand side of housing; this was in the form of the Finance Linked Institutional Subsidy Programme (FLISP). This programme was designed for the market segment known as the gap market, whose income is inadequate to qualify for a home loan but too high to qualify for government free housing programmes (NHFC). FLISP assists by potentially reducing the initial mortgage loan amount or augmenting the shortfall between the qualifying loan and the total house price, bringing the eventual home loan instalment to an affordable amount over the loan repayment period. The FLISP subsidy varies depending on the individual's gross income and the FLISP Subsidy quantum lies between R28 000 and R122 000.

Despite this great venture, it was met with administrative challenges. The loans/mortgages needed for the programme are facilitated by end-user financiers such as normal financial institutions (i.e., banks) that are licenced and regulated, non-bank micro-finance institutions either providing loans alone or other services in their

packages, e.g., NGOs. Additionally unregulated informal money lenders such as stokvels and other group lending schemes form part of the list of financiers.

Walker *et al.* (2019) assert that these tiers of end-user financiers face a lot of risks when servicing the lower gap market. The lower gap market possess high levels of indebtedness and low creditworthiness and is ridden with intermittent employment patterns and variable incomes (Gardner and Trust, 2008). As FLISP lower-gap market serviced site subsidy recipients have a disadvantage of not qualifying for a mortgage loan, it makes access to adequate FLISP quantum of non-mortgage credit on favourable relatively difficult (Walker *et al.*, 2019). Scheba *et al.* (2020) and Mitlin (2007) observed that come to note that most low to moderate-income households would rather use informal sources to fund their homes (loans from family and friends, informal money lenders). This is because the terms offered by most institutions and lenders are somewhat arduous and interest rates charged are often exorbitant.

2.3. Public Sector Actions Towards Inclusive Housing

Housing has always been a multi-dimensional problem in South African cities, mainly instigated by apartheid planning which promoted segregation in cities. Over the years, the state led housing programmes, in an attempt to address the backlog of affordable housing, have aided the matter of segregation through the poor location of state subsidy housing (Massyn, 2015).In Cape Town planning related strategies such as the *Cape Town Central City Development Strategy* (City of Cape Town, 2008), the *City of Cape Town's Densification Strategy (City of Cape Town, 2009) and* the Table Bay District Plan (City of Cape Town, 2012) (Planning, City of Cape Town)were put in place; despite these efforts, very few affordable residential units have been built in the inner-city.

The growing concern is that that these spatial development strategies have a limited effect in remedying the declining income and racial segregation, and that inclusionary housing is without effect in weak market environments (Bolt *et al.*, 2010). This is partly attributed to the small size of the private property market and the ever-growing income gap between the rich and the poor. For affordable housing to be developed at scale in the inner-city, it is imperative that the final value of new development must exceed the cost and profits required to develop it (McGaffin, 2016). Therefore, any strategies aimed at increasing affordable housing in the inner-city need to address factors that drive the costs

of such developments. Furthermore, the housing development must be targeted at submarkets containing a large percentage of the city's households, that is, the low- to middle-income households (Massyn, 2015).

2.4. Inclusionary Housing

Klug *et al.* (2013) cite that there exists a long tradition in many countries of using housing policies and programmes to promote social mix. Inclusionary housing policies aided in the promotion of socially integrated forms of affordable housing. Subsequently, they also retorted to the inaccessibility of well-located affordable housing resulting from property booms driving up housing costs in many cities within developed countries (Calavita *et al.*, 2010). As an attempt to address racial segregation in 1970 in the USA, the implementation of inclusionary housing sought to provide private developers with the incentive to incorporate affordable or social housing as part of their developments (Calavita *et al.*, 2010). The Inclusionary housing policy in South Africa came about for the same reasons - to redress the fragmented and divided apartheid city (Klug *et al.*, 2013) through encouraging the private sector to contribute to the supply of affordable housing. The idea behind inclusionary housing was to provide affordable housing whilst creating mixed-income communities in suburban areas, and later being adopted in urban areas where redevelopment, infill, and densification took place but also brought about gentrification (Klug *et al.*, 2013; Adler and Jarallah, 2020).

In South Africa, inclusionary housing is yet to be enacted on a national government level, until then, cities have taken it upon themselves to push the agenda forward within their metropolitans (Robertson, 2017). Be that as it may, these endeavours for inclusionary housing are still supported by governing authorities through applicable legislation and development plans. The National Development Plan (DTPSA, National Planning Commission) embeds the apartheid spatial justice as the key to the inclusionary housing policies and proposes this be done by incentivising property developers to include a level of affordable housing in their developments. Additionally, Section 24 of the Spatial Planning and Land Management Act (SPLUMA) states that *"...land-use schemes must include provisions to promote the inclusion of affordable housing in residential land development..."*. The requirement for spatial transformation and justice, as well as the direct reference to the need for land-use schemes to promote affordable housing, provide municipalities with the legal impetus to develop an Inclusionary Housing Policy.

Inclusionary housing can be approached in one of three ways to involve the private sector, it is either voluntary, mandatory, or targeted (Adler and Jarallah, 2020). The voluntary approach is the non-compulsory development of affordable housing based on mutual gain brought about by implementation for both parties. This approach sets that a developer can include affordable units in their development should they decide to make use of the incentives and benefits offered by the municipality in their doing so. In essence, developers can choose the form of government regulation they prefer, as opposed to being told which policy they will adhere to (Powell and Stringham, 2003).

The Mandatory approach, however, is linked to land-use planning and development control processes (Adler and Jarallah, 2020). This imposes that the developer is routinely required to include a percentage of affordable units in their developments. The cost of doing so is then offset by municipal incentives such as tax benefits, land-use planning, fast-tracking of approval processes (Adler and Jarallah, 2020). In principle, this approach follows that development permission rezoning or subdivision approval is made contingent meeting specified inclusionary requirements in return for being awarded certain development rights (NDoH, 2007).

The City of Johannesburg Inclusionary Housing Policy adopted the mandatory approach in the 2016 draft policy which stated that *"…all new residential or mixed-use developments of 10 residential units or more must include at least 20% affordable inclusionary housing" (City of Johannesburg 2012).* This was then amended in February of 2019 to 30% inclusionary units on dwellings of 20 units or more. Firstly, the framework served to increase the supply of affordable housing in the inner-city and create an income group mix across the city. Secondly, it would serve as a mechanism for land value capture that benefits both the city and its residents. By awarding development rights there will be an increase in land value which will be beneficial to the city, residents, and property owners, as per the principles outlined in SPLUMA. Nonetheless, a voluntary implementation was offered to developers developing below the threshold of 20 units but meeting the criteria for one of the inclusionary housing options in this framework, which stood to benefit from the incentives associated.

However, previous encounters with inclusionary housing policies as found in existing bodies of literature argue that the adoption of such policies by national government, provincial or municipal government decreases the affordability of housing (Glaeser and

Gyourko, 2002). Furthermore, Olokun (2010) asserts that the implementation of inclusionary housing policies in South Africa will place a huge administrative burden on the state. If these policies are not correctly executed there is a risk of furthering the advances of the middle to the upper end of the housing market, whilst ignoring the needs of the lower end of the market thereby exacerbating the existing housing problems. Bolt *et al.* (2010) raise concerns that policies of the social mix have a limited effect in reducing income and ethnic segregation and that inclusionary housing policies have little effect in weak markets.

2.4.1. Inefficient City Densities

Turok (2011) cites that South African cities are majorly characterised by division and low residential densities and these disparities in neighbourhood densities display the extent of spatial inequality. Uneven city densities, as explained by Turok (2013a), are a source of inefficiency as they disrupt housing and labour markets. This also contributes to social injustice as it makes the fair distribution of public transport and public services such as schools, libraries, and recreational amenities across the city difficult. A national survey conducted found that low-income households spend on average 20-35% of their income on commuting and on average, one hour per day for the commute (StatsSA, 2017). The population densities of Cape Town and Johannesburg are discussed in the following section.

2.4.1.1. Cape Town

Cape Town is a city with approximately 4.4 million people (COGTA, 2020). The bulk of Cape Town's population is concentrated in the southeast of the city (as illustrated in Figure 2.) This is also the part of the city where there are few economic and formal job opportunities available (Wilkinson, 2000).

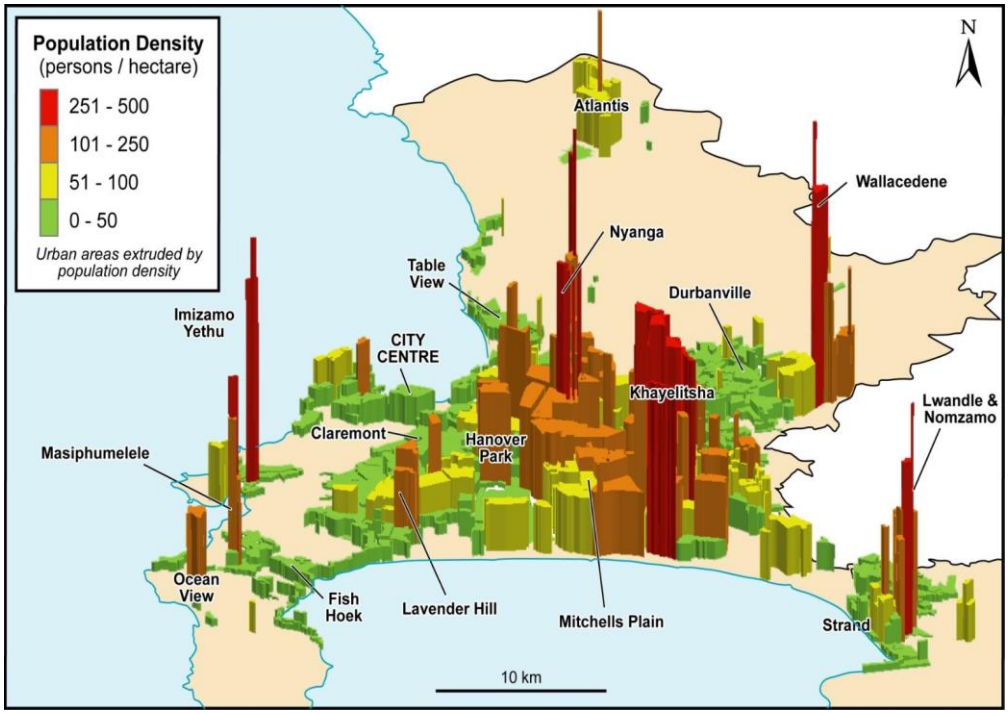

Figure 2: Cape Town Population Density(Herron, 2019)

This leaves the inner-city, northern, and southern suburbs with low population densities but being the centre of most formal employment (Pieterse, 2010). The consequence of this imbalance is the intense commuting flows, causing traffic congestion on the northwest–southeast axis. There has been very slow progress in improving the reliability and affordability of transport links across the city (Boye, 2014).

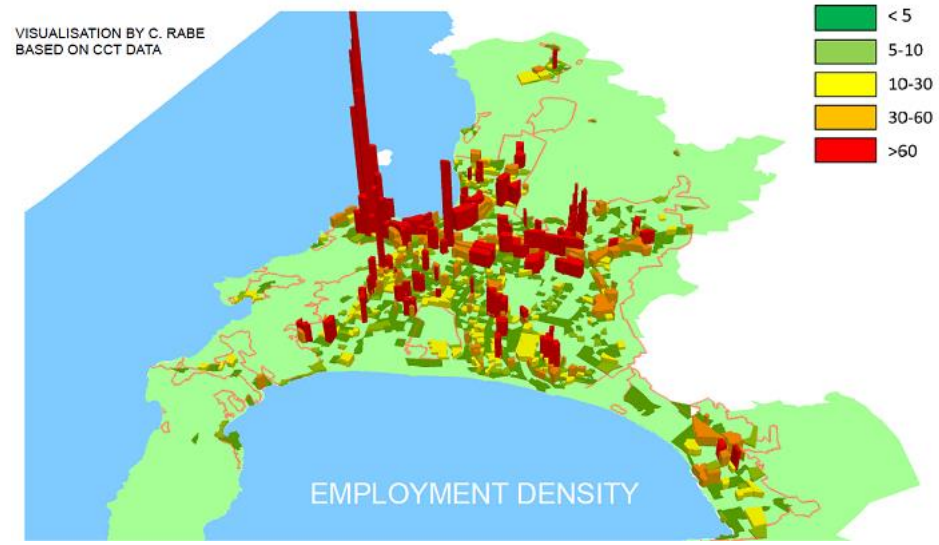

Figure 3 below represents the disparity there is between where people work in comparison to where they live.

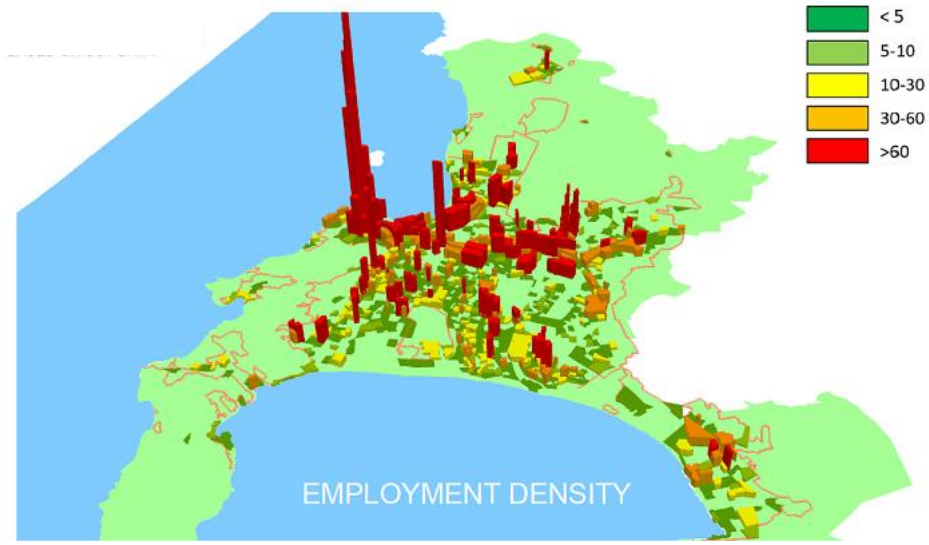

Figure 3: Cape Town Employment Density (Rabe, 2017)

Pieterse (2010) acknowledged that by boosting economic development in the south-east of the city or by developing higher-density, low to middle-income housing in and around the inner-city and suburbs the average travel distance can be shortened. Better-located population growth is more likely to increase social diversity and also expand consumer demand for central city services thus strengthening its agglomeration advantages to the economic benefit of the city as a whole (Turok, 2013a).

2.4.1.2. Gauteng

This is made up of the three metropolitans: Johannesburg, Tshwane, and Ekurhuleni. The splintered settlement patterns of these cities are shown in Figure 4: Gauteng Population Density (Turok, 2011)Figure 4. Most of the townships are located significantly far from the main city centres of Pretoria and Johannesburg (Turok, 2011). According to the Gauteng City-Region Observatory (GCRO) April 2020 city density data, approximately 50% of Gauteng's population (7.5 million people) lives on about 2% of the land in the province.

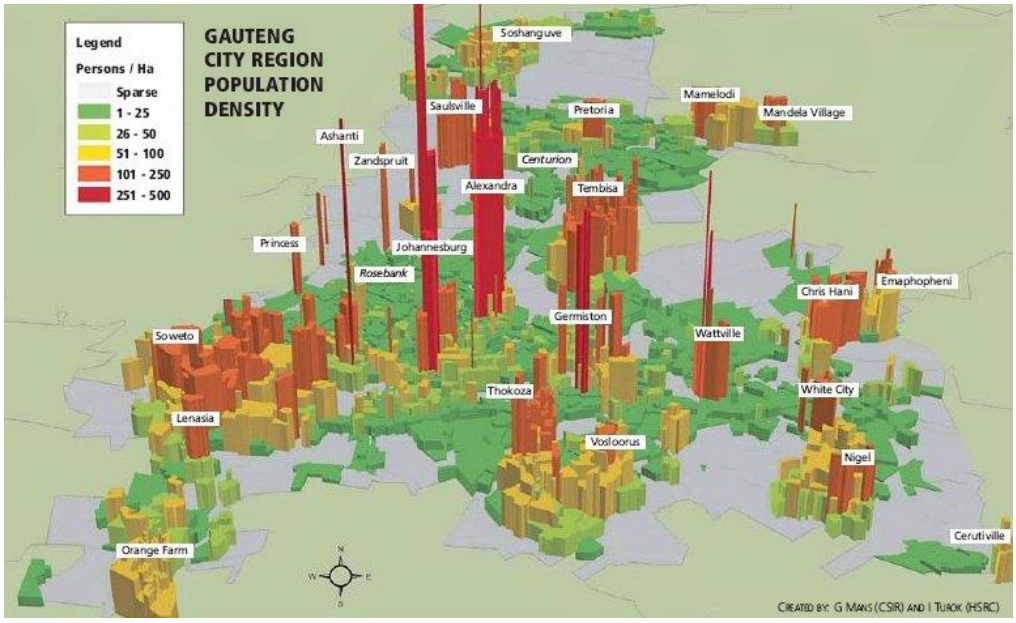

Figure 4: Gauteng Population Density (Turok, 2011)

Johannesburg exhibits a strident spatial divide, with the south typically poorer, disproportionately black, and deficient in proper infrastructure (Budlender *et al.*, 2016). The north (with the exceptions of Alexandra and Diepsloot) is characteristically richer and better serviced, and predominately white (Budlender *et al.*, 2016). The main areas of employment growth are in and around Sandton, Rosebank, Midrand, and Centurion, all of which show insignificant residential population. Figure 5 below shows the spatial mismatch in the city of Johannesburg. The image to the left(orange) shows the job proximity rates in the city, that is, how close people are to their jobs. The figure shows that people are closer to jobs towards the centre of the map. Comparably, on the right side (blue), we see the variation of unemployment rates in the city. The further away the area is from the inner city, the higher the rate of unemployment. Budlender *et al.* (2016) theorises that a considerable amount of the unemployment rates in the City of Johannesburg can be attributed to area proximity to jobs. However, he notes and acknowledges that merely living in the inner city is not the only factor associated with lower unemployment rates.

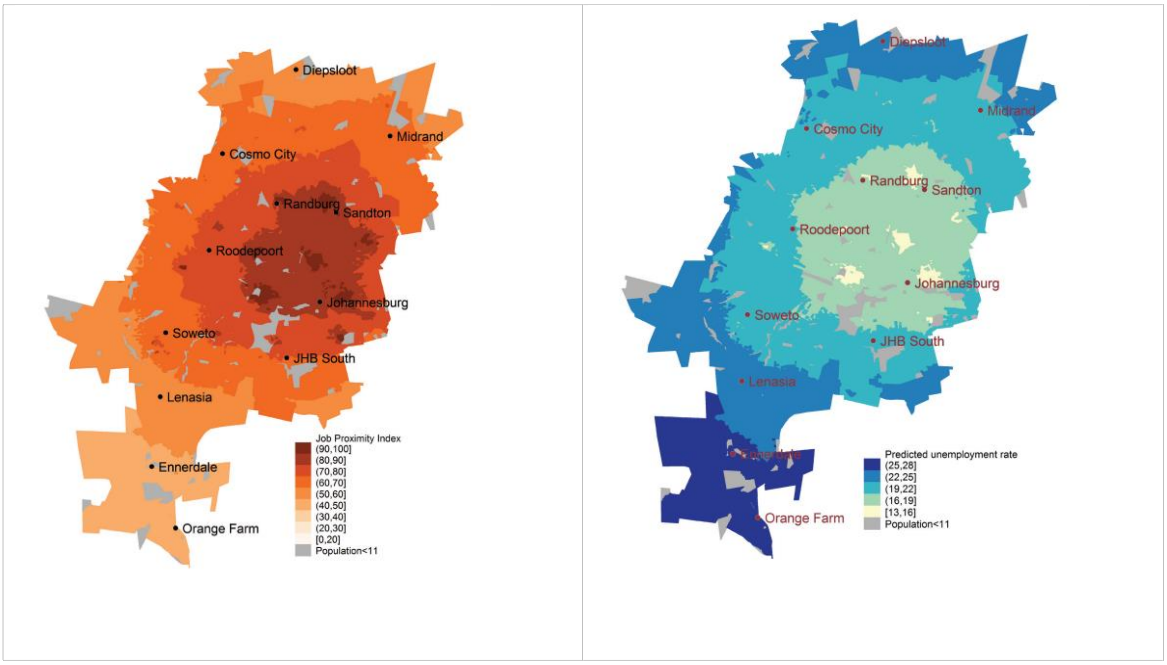

Figure 5: City of Johannesburg Spatial Mismatch(Budlender *et al.*, 2016)

2.5. Inclusivity Lens: Concept for City Redevelopment

2.5.1. Inclusive Housing and Gentrification

In order to understand how best to support inclusive housing, whilst protecting the lower income households from displacement, cities need to develop a better understanding of the demand and investment interest in housing across the income and property spectrum (Rust *et al.*, 2019). There is need for a deeper analysis into areas at risk of displacement and their local area dynamics. An understanding of the housing dynamics could also ensure that the breath of housing supply matches the diversity of demand in the various market segments that comprise a city's population (El-hadj *et al.*, 2018).

SAPOA (2018) conceived that inclusionary housing is shaped by legislative and planning practices, unique housing systems and urban structures of distinct environments. A wide range of factors are influential with regard to implementation mechanisms needed to incentivise the private sector's involvement in the inclusionary housing framework (de Kam *et al.*, 2014). Some of these factors include the provision of land by the public sector

at a price below the unconstrained market rates and provision of land in areas that are located close to other mixed use parcels of land (de Kam *et al.*, 2014).

2.5.2. The Cost of Development

The property development industry is driven mainly by a trade-off between risk and return, and the goal being to maximise profits or personal gain, whilst minimizing risk (Miles *et al.*, 2000; Hogarth, 2015). Massyn (2015) reinforce that for any development to hit ground, the estimated market value of the completed product must exceed the total cost of the development. Most housing strategies aimed at inner-city redevelopment and densification fail due to a lack of understanding of urban economics (Turok and Watson, 2001). McGaffin *et al.* (2019) elicit that the value of a property is a function of the revenue it produces as imposed by the housing market. It is also the selling price or the rentals that a household is willing to pay to occupy it (Massyn, 2015).

Affordability in housing has long been defined by either the cost of purchasing a house or the household's income. Glaeser and Gyourko (2002) contend that construction costs are the most sensible benchmark for affordability of housing because prior definitions lead one to confuse poverty with housing prices. The low to medium income households have limited spending power due to small household incomes, hence only so little can be spared for housing. This amount, more often than not, is too low to compensate a developer for the cost of undertaking the risk of the development to supply affordable housing (Massyn, 2015). This is a contributing reason to why there is a lack of affordable inner-city housing (Francois and Hopkins). If these development costs can be affected, the provision of affordable inner-city housing may not be so farfetched.

The concept of inclusionary housing has historically not been thoroughly investigated. Policymakers have failed to recognize that the costs accompanying development are the same regardless of the target market (McGaffin, 2018a), that is to say, the cost of materials per unit is the same for a high end or low-end unit – a brick is a brick (McGaffin, 2018a). With this in mind, other interventions need to be explored when considering inclusionary units in a development whilst keeping the project viable.

The cost of development includes land costs, construction costs, professional fees, financing, marketing, contingencies, and the developer's profit. A brief analysis of these costs can make all the difference in the end price of a property.

2.5.2.1. Land Costs

The land costs include the actual purchasing of the development site and all the other costs related to acquiring this site. These are costs such as transfer fees, bond registration fees, in some cases land surveying fees, rates and taxes adjustments (Massyn, 2015). The purchase price any developer is willing to pay is derived from the site's highest and best use. This is regarded as the use that is financially viable, physically possible and legally permissible to generate the highest return on the site (McGaffin *et al.*, 2019). However, well located land in the inner-city comes a steep cost as a result of high demand for commercial space in those areas. Bertaud (2010) draws that to counter the high land costs, one can substitute capital for land by building additional floors on the same land parcel. This results in an increased population density/ job density and this in turn decreases the demand for land in that area, lowering the land values in the area. However, this reality is a function of other costs associated with the development.

2.5.2.2. Construction Costs

The cost of construction is the most significant of development costs. This can be broken down into elements namely, substructure which consists of the foundation of the structure, superstructure which is the frame of the building above ground, finishes and services (plumbing, drainage, HVAC, electrical installation). The costs involved are a combination of material costs, labour, and escalation (AECOM, 2021). Aside from these, there is a cost for professional fees for the professional team involved in designing and managing the construction process, in most cases this is between 10 to 20% of the building cost (AECOM, 2021). This team is made up of professionals from the architectural, planning, quantity surveying, land surveying, and engineering disciplines as necessary and in some cases.

Although some of these costs are fixed or not as flexible when considering affordable housing, there is considerable room for reduction of costs to make housing affordable in inner-city developments. With a growing material supply industry, developers now have the choice to finish a unit with cheaper yet aesthetically pleasing finishing specification alternatives, effectively decreasing the cost of the unit and consequently the selling or rental prices (World-Economic-Forum, 2019). Whilst professional fees do not contribute a huge factor to the cost of development, professionals can be engaged to work at risk or

to provide discounts on their fees for the design and seeking approval for the proposed developments.

shows a breakdown of the levies and taxes charged on a single hypothetical development, as developed by the Western Cape Development Forum. Illustrated is a hypothetical development of a residential unit consisting of 205 units (mixed between 1,2 and 3 bedrooms). This gives a finer picture of the effect of taxes, levies, and charges on the final price of a unit, the greater costs being development charges and NHBRC costs. There is a need to understand that these costs charged on developments are not absorbed by the developer, but rather are passed on to the end-user.

		Total costs	Avg Cost per unit
Capital Investment/Cost before levies and taxes		**R 189 650 464,00**	**R 925 124,21**
Total Fees, Taxes and Levies	**3,61%**	**R 6 853 536,00**	**R 33 431,88**
Plan Scrutiny	0,05%	R 100 000,00	R 487,80
Taxes on land improvements	0,51%	R 975 000,00	R 4 756,10
Development charges	1,32%	R 2 500 000,00	R 12 195,12
Sectional title register & plan	0,28%	R 534 050,00	R 2 605,12
NHBRC cost	1,28%	R 2 434 486,00	R 11 875,54
CIBD levy	0,16%	R 310 000,00	R 1 512,20
Total Capital Investment		**R 196 504 000,00**	**R 958 556,10**

Figure 6: Cost of fees, taxes, and levies of development

2.5.3. Efficient Land-use

In 2012, 70 000 hectares of well-located state-owned land was identified that was suitable for housing purposes in different provinces (FFC, 2012). Given the housing delivery chain inefficiencies, none of this land was made available, and if it was it would take another couple of years due to the hurdles of approvals, township establishment, installation of services before one can inhabit these houses (FFC, 2012). Again in 2019 the Department of Public Works and Infrastructure announced that 14 000 hectares of

state-owned land in the form of 167 land parcels was to be released for development of human settlements with 20 of these land parcels being in Cape Town(DoHS, 2022).

South Africa's reputation for its divided spatial development character throughout its cities and their low average residential densities are renowned (Turok, 2011). Turok (2013a) explicates that these imbalances pose a big challenge for urban management and social integration and are a source of inefficiency as they obstruct the functioning of the labour and housing markets, whilst complicating the provision of mass transportation systems (UN-Habitat, 2009).

Land is a crucial part of any development, and this is mostly applicable to affordable housing. Land costs form between 20-35% of the total development costs (Massyn, 2015). Land availability has a large impact on land prices, which in turn has a ripple effect on cost of development and therefore on the cost of the final housing product (Bertaud, 2010). To illustrate, in Cape Town there are a few state-owned parcels of land that are in well located areas and have potential for affordable housing development. One of such buildings is the Rocklands SABC building situated in Sea Point (Figure 7). This building was recently on auction but has now been reserved by the Department of Human settlements for affordable housing. Annexure 2 is some of the sites owned by the city that are possible to be released for affordable housing. Currently, the recurring factor that has been slowing down inner-city affordable housing provision is the availability of well-located land. As basic economics dictates when low supply meets high demand prices skyrocket and echoed by one of the private development consultants.

Figure 7: SABC's Rocklands Building, Sea Point (Google)

Other state-owned parcels of land include;

a) Military Land

The public sector owns three military bases that have been underutilised and degrading. Whilst the great significance and need for military bases cannot be argued, these sites can well be relocated to the periphery of the city and thereby allowing for the release of well-located land parcels for the sake of affordable housing. The three sites in question are:

i. Wingfield Military Base

The Wingfield Military base site is in the custodianship of the South African Department of Public Works and has partially been used by the South African National Defence Force (SANDF) for nearly 20 years. The site is located 10km from Cape town city centre and about 12km from other economic nodes such as Bellville and Claremont. At present moment, the site is being used as temporary accommodation for refugees. This is shown in Figure 8.

Figure 8: Wingfield Military Base (Google Earth)

ii. Ysterplaat Airforce Base

The Ysterplaat base is about 9km from Wingfield Military base, making it also 10km from business and economic nodes such as the Century city precinct shown in Figure 9. This site is known to be owned by SANDF, but the history of the base suggests that most of the land belonged to the Graaf Trust who donated this piece of land for military purposes. According to a statement given the Department of Public works in 2018, the Graaf Trust would need to approve any other development on the land.

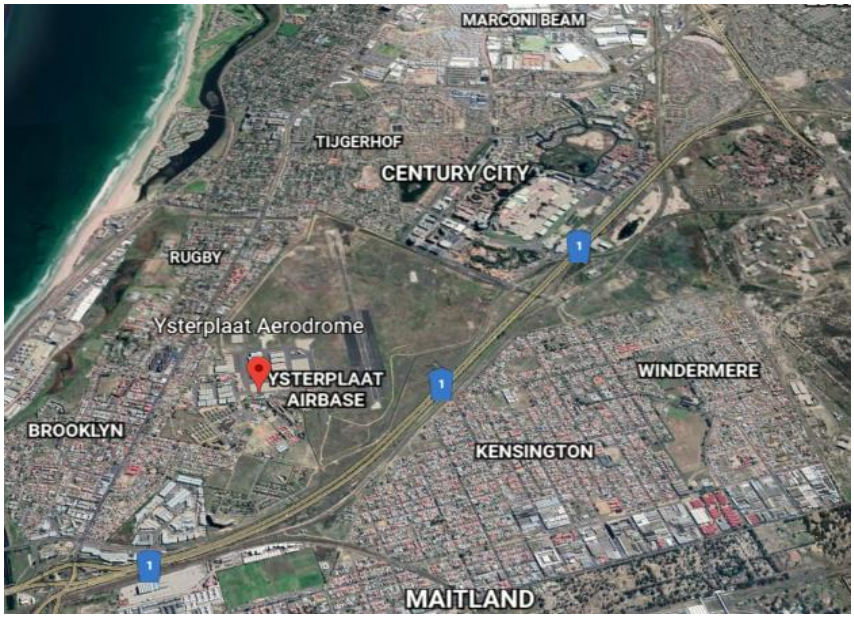

Figure 9: Ysterplaat Airforce Base (Google Earth)

iii. Youngsfield Military Base

This base is situated in the Southern suburbs of Cape Town in Kenilworth. This site is 3km away from Claremont and 14km away from the CBD. It is positioned perfectly close to the Main Road and all transport facilities and amenities. This can be seen in Figure 10.

Figure 10: Youngsfield Military Base (Google Earth)

iv. Erf 81 Tamboerskloof

Figure 11 shows the site, located right in the city bowl, erf 81 is one of the prime pieces of land in the hands of SANDF and the Department of public works that is well located in the metro and is underutilised. This parcel of land is also recognised as a heritage site and is currently operating as a farm that fosters the homeless and some animals. Conversations around this site would include displacing the people currently occupying the site, thus careful considerations need to be affected.

Figure 11: Erf 81 Tamboerskloof

b) State Owned Enterprises (SOE's) land

i. Culemborg Goods Yard

This site is located 500m from the city bowl as illustrated in Figure 12. It is a narrow and long site on reclaimed land spanning 1.4km long and 400m wide. The site has currently been used for short lease storage and consists of a 66 000m2 corrugated sheet metal building including railways platforms have not having ever been used as intended (Boström and Wagner, 2009). Additionally, there are a few small brick buildings along the N1 highway where a couple of small semi- industrial businesses operate. The site is owned by a Transnet – a state owned enterprise.

Figure 12: Culemborg Goods Yard, Cape Town

c) City of Cape Town land

Apart from these massive pieces of land, there also exists smaller parcels of land in the inner-city that is city-owned and underutilised in areas such as Pinelands, Woodstock, and Salt River to mention a few (Naik and Spocter, 2021). These could be in the form of vacant land and buildings, storage facilities, decommissioned public facilities and open space behind police precincts. The map in Annexure 1 shows some of these areas in purple.

2.5.4. Inclusive Housing Finance

The primary problem with housing delivery in South Africa is its supply-driven policies (Mabin, 2020). There has been an immense focus on delivering fully subsidised new houses rather than considering all means of supplying houses and ways of tenure (FFC, 2012). This system has proven unsustainable as it creates perverse incentives, distorting housing prices and as a result creating a gap market. McGaffin *et al.* (2019) elicit that the cheapest newly built house in Cape Town is approximately R400 000, this in today's market can only be affordable to households earning above R18 000 per month. The Centre for Affordable Housing Finance in Africa (CAHF) derived from the AMPs 2015 survey and the 2011 Census that approximately 40-60% of the population earn less that R7 000.

Effective housing demand is constricted by the inaccessibility of affordable housing finance and mortgages, especially for those with informal income sources (Ganiyu *et al.*, 2017). People of lower incomes are perceived by lenders as high risk and are excluded from the financial systems, forcing them to self-build using informal credit sources at exorbitant interest rates (Jones *et al.*, 2020). It is of utmost importance that further innovative models and approaches to housing finance in South Africa be developed that are adjusted to the needs of the people in the gap market with irregular living and employment patterns as these are what make up a greater percentage of South Africa's population (Asongu *et al.*, 2016). Taking notes from the Fonds de Garantie pour Populations à Revenus Irréguliers Modestes program in Morocco which is a credit-enhancement program that facilitates lending to low-income and informal-sector workers (El-hadj *et al.*, 2018).

While the definition of affordability is not so straightforward, several interventions can be assessed by financial institutions to improve housing affordability (Doling *et al.*, 2013). Some of these include reducing interest rates surcharges on housing loans to low-income households, reducing the collection costs for loan repayments, providing the option for longer borrowing periods over 20 years and lowering deposit requirements.

In the absence of inclusive housing finance, Bah *et al.* (2018), The Centre of Affordable Housing Finance (CAHF) and World-Economic-Forum (2019) have identified what are termed as "micro-mortgages". These are loans provided to low-income families and individuals over five years for funding the construction of a basic property to which one can add features to in the future.

2.5.5. Property Filtering

The strategic supply of new housing and functional resale markets can enable a process called filtering. This process happens when households move from one housing pool to another, which better serves their needs to the extent they can afford (Rust *et al.*, 2019). Skaburskis (2006) articulates that filtering is the only market-related mechanism that can increase the supply of housing that can be rented or sold below the economic cost of newly built or renovated units. The nominal rent or price of units changes over time due to physical deterioration and functional obsolesce, thus, new housing introduced at the top descends progressively through successively lower value layers (Skaburskis, 2006). The filtering theory dictates the entrance of new highly-priced properties into the market causes those who can afford to trade up, and this will effect an increase in the supply of the older now-vacant properties leading the prices to fall (Bazzle, 2016). Private sector supply will then meet the needs of buyers with equity from the sale of their homes to invest in higher value housing at the top of the housing ladder. When filtering works, there is an abundant supply of affordable housing for both ownership and rental enabling household mobility, as shown in the illustration Figure 13.

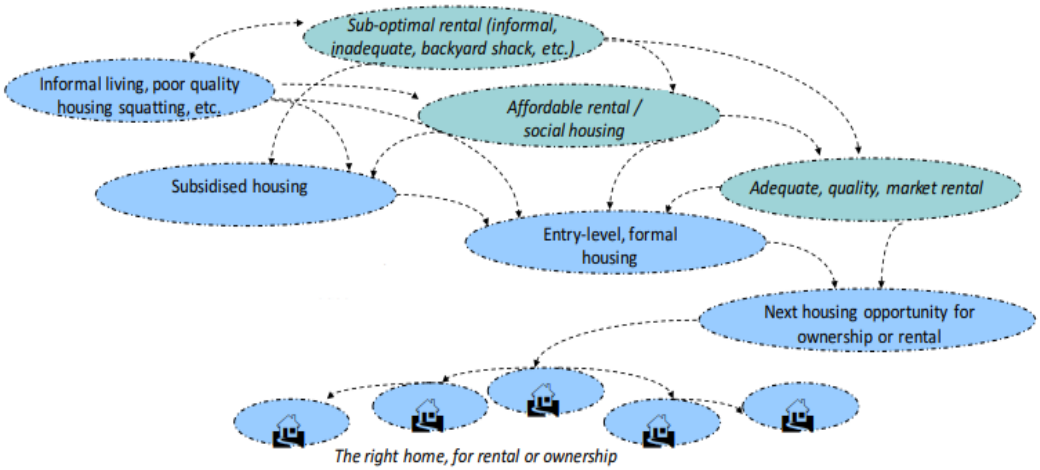

Figure 13: Flow of property market filtering (Rust, 2018)

This would be the ideal scenario but unfortunately, the property market rarely operates in simplistic terms (Rosenthal, 2014; Rust *et al.*, 2019). There are far more households at the bottom of the ladder in need of housing than there is supply of affordable housing and the filtering pathways are blocked. Subsequently, when the filtering process does not work there is constrained housing mobility and a decline in the value of the housing disenabling poor households from accessing the property market (Rust *et al.*, 2019). Household affordability becomes depressed especially for entry-level housing thus widening the affordability gap (El-hadj *et al.*, 2018). In South Africa, the National Housing Act states that government-sponsored housing units can only be resold after 8 years. This means that there is no filtering from subsidised housing into entry-level housing and households are not moving up the property ladder nor to better living circumstances to meet their growing needs (Bah *et al.*, 2018). This is explained in Figure 14.

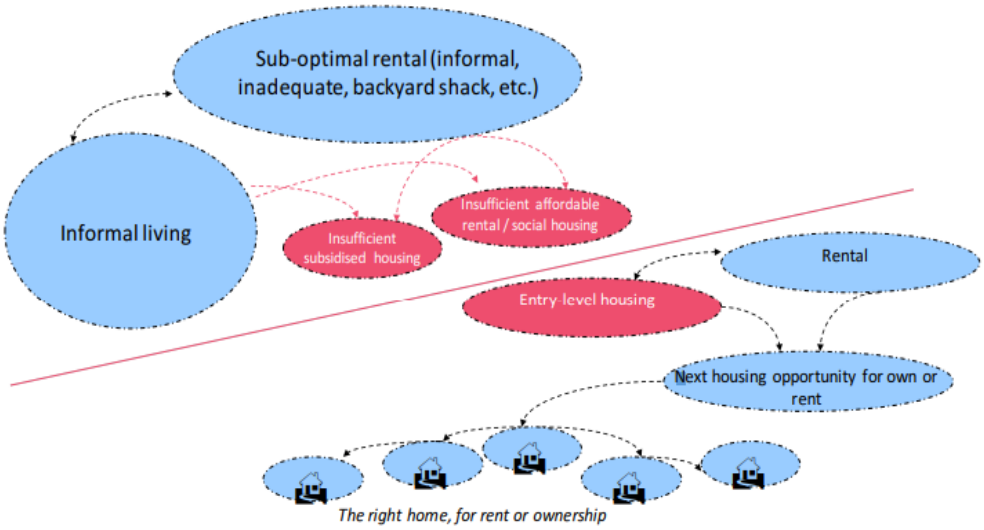

Figure 14: Blocked property filtering flow (Rust, 2018)

Rust *et al.* (2019) suggests that cities can support the filtering process by preserving neighbourhoods as "investment grades" for all participants of the market (buyers, lenders, developers, resident households). This would require focused and more effective service delivery, real investment in infrastructure such as transport links connecting neighbourhoods.

2.5.6. Inclusive Rental Housing

Rental housing plays a pivotal role in a well-functioning city as it provides a much-needed capacity to manoeuvre in response to changes in urban life cycles. Mbuyisa (2019) and Gardner and Trust (2008) acknowledge that over 25% of South African households live in rental accommodation. There is an existing dysfunctionality in the rental market, which impedes the low to moderate-income earners from finding affordable rental housing (Mbuyisa, 2019). Kumar (2001) conceived that a key policy in the path to inclusive cities should be an enhanced range of housing tenure in the efforts to increase opportunity. Existing literature on inclusionary housing has not been clear on whether low-cost housing is better owned or rented for gap housing seekers. However, for example, the Ferndale Inclusionary housing project in Johannesburg showed that is it easier to track and manage inclusionary housing under a rental system (PGWC, 2009). The Ferndale project was one of South Africa's first inclusionary housing projects worth R200 million which consists of 187 two- and three-bedroom units broken down into 56 (No.) 55m2 low-cost housing units (30%) set aside for monthly rental and 131 market-rate units of a larger size. The rentals for the low-cost housing were structured based on

household affordability, i.e., from R1 500 to R2 000 for households with an income between R3 500 and R7 000 and, preference is given to families working and living in the area, to reduce the effects of gentrification. The said remaining 70% of the units sized between 150 to 280m2 were sold at market price between R1.5 million and R2 million (PGWC, 2009). The renting out and management of the units by the Johannesburg Social Housing Company reduced the risk for the developer should the low-cost housing tenants default on rental payments. Pomeroy found that in some developed countries, governments offer rental supplements to ensure the affordability of rental housing for low-income households. This could be a solution for low-income households, especially in the gap market in South Africa to allow access to inner-city rental accommodation. Rental supplements can play a vital role in influencing private sector developers as the supplements would go directly to the landlord (Mbuyisa, 2019). In the City of Johannesburg Inclusionary Housing Policy, one of the options available for developers included having units with a capped rental of approximately R2 100 per month as per 2018 prices (City of Johannesburg 2012). This allows some form of rent control, although still subject to annual escalations.

2.5.7. Repurposing Commercial Buildings

In March 2019, the world was struck with the COVID-19 pandemic which led to many businesses closing down for good due to limited transactional volumes during the national lockdown (IFC, 2021). Prior to the pandemic, the commercial rental market was already significantly oversupplied. In the first quarter of 2020, the commercial vacancy rate was up to 11%, according to the Rode's Report, as the demand for office space continued to dwindle with the declining economic conditions since 2019 .

Whilst the sustainability of the working from home trend is yet to be determined, it can be said with confidence that more people will be working from home compared to pre-pandemic times. In August 2019, Nedbank group had permanently closed and released approximately 35000 square metres of commercial space into the market after seeing a decline in teller transactions as customers resorted to online channels and self-service portals amid the pandemic. In June 2020, Nedbank's real estate team announced that the bank was adopting a hybrid workforce model, meaning only 60% of the staff work from the office on any given day. This meant more than 10000 extra square metres will be released into the market which is already oversupplied.

2.5.8. Supporting Micro-developers

Small scale developers have begun to respond to the housing shortage by providing low-cost units, for example in Cape Town in areas such as Khayelitsha, Gugulethu, Delft and many others. According to McGaffin *et al.* (2019) these micro-developers can be one of two: (1) a home-owner developer who develop rental units on a portion of their land where they reside or (2) an enterprise developer who acquires land solely for development, whilst staying elsewhere developing rental. Rendering an interview with a project manager from the Development Action Group (DAG) – an NGO that works directly with micro developers – he attested that the problem faced by micro developers in mainly access to finances and inadequate knowledge of the regulations and policies around the housing development process. Micro developers take between 2 to 6 months to complete a housing project but with great cashflow struggles. In a study done by McGaffin *et al.* (2019), one out ten of the micro developers interviewed went through the necessary processes and planning applications. Educational support needs to be dispensed to these developers, including motivation and assistance with the application process. Furthermore, specialised incentives such as deferred or discounted development charges can be offered, as these developers struggle with initial capital.

2.5.9. Summary of Chapter

This chapter of the research explored the urban and housing development challenges in South Africa and probable alternative ways of approaching urban regeneration and the challenges of gentrification and housing inclusion that come with it. Housing affordability remains a phenomenon that is best area and income defined, as the specific circumstances differ from municipality to municipality. Public sector financial support as well as more inclusive lending solutions from the financial institutions that cater to the different spheres of income and changing needs were found to be the key themes around solutions to the matter. Different households have different needs, housing tenure needs not only to be looked at from an ownership point of view. Rental solutions in the inner-city have a place in the efforts to make the inner-city more inclusive. If affordability is determined by income, the level of income in the gap market will not change overnight, therefore an assessment of the cost of developments and how property values could come down to meet the needs and affordability of those in this market is vital.

3. Research Methodology

3.1. Introduction

This chapter provides a reflection into the research methodology utilised in this dissertation. The research philosophy, data collection and data analysis employed in this research will be discussed.

3.2. Research Philosophy

Whilst philosophical ideologies are not an explicit part of the research, they largely influence the bigger picture espoused in the research (Slife *et al.*, 1995). The paradigms or worldviews one looks at in research are a basic set of beliefs that will guide the researcher's actions (Lincoln *et al.*, 2011). Despite the inherent differences between these philosophical practices, one philosophy is not inherently better than the other, the philosophy provides the justification for the research methodology. The methodology should be informed by the nature of the phenomena being observed (Saunders and challenges, 2012). This notion is echoed by Creswell and Creswell (2017) who theorise that worldviews are a universal philosophical perspective about the world that a researcher brings to inquiry. Fields of research philosophy include ontology, epistemology and, axiology, while related theories include constructivism, postpositivism, transformative and, pragmatism (Mertens, 2009).

This research philosophy is based on epistemology (informed by common acceptable knowledge).

3.3. Research Approach

A qualitative method was chosen as a method of inquiry, this method will allow for flexibility in the approach and will enable open-ended questions that invoke deeper more thought-out answers (Creswell, 2017).

Grover (2015) describes the "research approach" as the plans and procedures taken that synthesise broad assumptions to detailed methods of collecting, analysing, and interpreting data in research (Shinde *et al.*, 2015). Qualitative methodologies are associated with social constructs and human behaviour, experiences and involve the efforts of trying to uncover these aspects and gain an understanding through recording

and analysing. Qualitative data collection is non-numerical forms of descriptive or nominal data that involve non-quantifiable elements such as words, sounds, feelings, words, etc. These methods are of use when one seeks to understand the process behind the observed data (Dudovskiy, 2016; Kabir, 2016). Qualitative methods include questionnaires with open-ended questions, focus groups, group discussions, observation, case studies, and interviews.

3.2 Data Collection Method

This research study was of a qualitative nature, hence semi-structured interviews with open and close ended questions were utilized to collect data. The qualitative data gathered were analysed to spot trends and derive answers to the research questions, the results are analysed and discussed in Chapter 4. This is defined by many scholars as the process of gathering and measuring information from relevant sources in a systematic way that allows for stated research questions, hypotheses can be answered or tested (Kabir, 2016). Data collection methods can be divided into two categories, that is primary and secondary methods.

Literature Review and Secondary data are such data collected from sources that have already been published, this is in the form of books, newspapers, journal articles, etc. Regardless of the nature of the research, there is an abundance of existing data in many sources about the research area (Dudovskiy, 2016). Relevant literature surrounding the matters of urban regeneration, gentrification, and inclusive inner-city housing developments were reviewed and summarised. Studies of both local and international examples that highlight the gains, challenges, and teachings on alternative approaches to inclusive developments that can be applied to South Africa where explored.

Primary data at its core is data that is factual and original in comparison to secondary data that is analysis and interpretation of primary data (Ajayi, 2017). Primary data in this research was obtained from first-hand experience and included primarily interviews with developers, town planners, quantity surveyors and representatives from NGO's associated with affordable and inner-city housing. These are key role players whose experience is directly involved in the provision of affordable housing.

Physical and virtual semi-structured interviews with open-ended questions were held with the different stakeholders in the development process to understand how their

involvement can aid in the inclusive housing agenda. Due to the impact of the COVID-19 pandemic, most of these interviews were held over Microsoft Teams and Zoom for the safety of the participants and the researcher. This served as the main source of data collection as it elicits a vivid picture of the participant's perspective on the research topic, in-depth responses, nuances, and contradictions and interpretive perspectives (Mack, 2005). Individual interviews supplemented the data collection opposed to a focus group due to the restriction on COVID-19 and the mere difficulty on arranging an online meeting with everyone's tight schedules. The interviews were recorded sessions with a select group of people listed in the next sub-section using a recording device. In cases where face-to-face or online interviews were not possible, questions were answered over email.

3.3 Sampling Method

Selecting a method of sampling and determining the size of the sample are vital to the research in drawing accurate discussions and suppositions (Singh, 2013). The purposive and snowball sampling methods were utilised in this research. The purposive method is also referred to as judgement sampling, this is because it involves the researcher using their own judgement or expertise to select a sample that is most useful to the purposes of the research. Michalos (2014) states that the purposeful sampling technique is used to select informants based on their knowledge of and/or experience with the research inquiry. Following Rubin and Rubin (2011), some useful guidelines for selecting respondents in a purposive manner that where employed was focusing on subjects that are (a) knowledgeable and experienced in the construction and property field (b)are willing to participate and lastly (c)are able to cover a range of points of view. Snowball sampling is defined as a form of convenience sampling whereby existing research participants recruit/refer future participants for the researcher amongst their colleagues (Naderifar *et al.*, 2017). This method is efficient and cost effective as the researcher gains access to participants, they might otherwise not have been able to reach (Sadler *et al.*, 2010). As people work very closely together in the construction industry, research participants were able to refer the researcher to other role players in the industry that are knowledgeable in the research topic.

3.4 Data Analysis

Shamoo and Resnik (2009) and (Marshall and Rossman, 1999) define data analysis as a process of transforming and modelling data enabling researchers to work with the data once logical sequences are created. Data analysis, much like data collection, can also be characterised as qualitative and quantitative data. This research followed a qualitative method of data analysis. This is due to the descriptive nature of the information that was received from the respondents and the transformation and interpretation of this data to find solutions for the research problem.

Qualitative data analysis is based on interpretive philosophies and serves to transform qualitative data by means of analytic procedures, into a clear, understandable, insightful, trustworthy, and even original analysis (Gibbs, 2007). This can be done through an inductive approach. The first step in data analysis is to organize the data, however, it is of vital importance to note that these methods of organising data will differ reliant on the data collection techniques adopted (Best and Kahn, 2016). Qualitative data analysis includes defining and identifying data, collecting, and storing data, data reduction, theory building and testing and reporting and writing up research.

Additionally, qualitative data analysis comes in many forms. These are content analysis, narrative analysis, grounded theory, and framework analysis. **Content analysis** is a type of research where data is categorized in themes and sub-themes to allow for comparison. Its main advantage is that it enables data to be reduced and simplified (Langkos, 2014). The process of content analysis is illustrated in Figure 15 below.

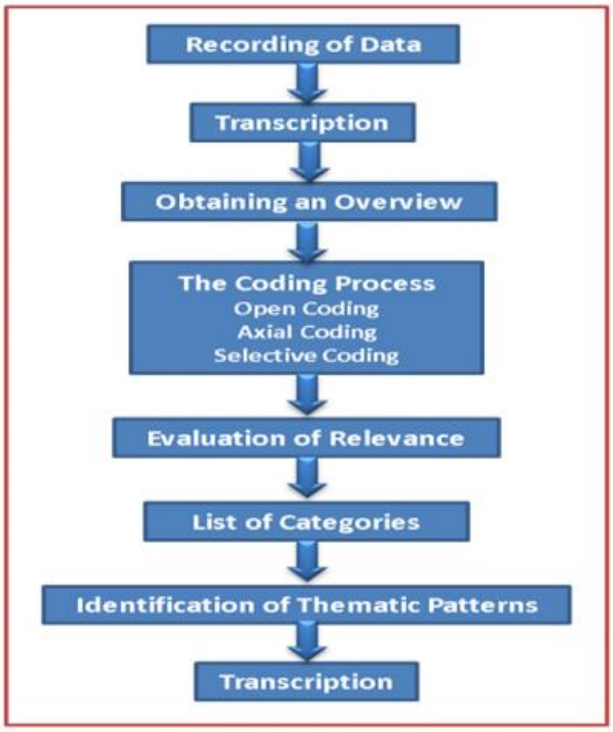

Figure 15: The Qualitative Content Process (Langkos, 2014)

The Narrative analysis stems from transcribed experiences. It mainly involves the reshaping of stories presented by respondents taking into account the context of each case and the different experiences of each respondent (Sunday, 2016). The **Framework analysis** consists of several stages such as familiarization, identifying a thematic framework, coding, charting, mapping, and interpretation (Pope *et al.*, 2000). This approach allows you to focus on specific answers and disregard the rest. Lastly, the **Grounded theory** method starts with an analysis of a single case from a predetermined sample to formulate a hypothesis. Then, further cases are examined to see if they contribute to the theory, or to determine whether this hypothesis fits the statement.

3.5 Data Reliability

According to Kirk *et al.* (1986) the objective of qualitative research is to uncover facts about the phenomena. The extent to which the data collected represents the concepts of interest and the its consistency across all cases and time are vital to producing sound conclusions on the research topic (Rothman, 2007). Reliability is the degree to which one can *rely* on the data source and consequently the data itself (Pierce, 2008). The main measure of reliability being consistency. However, validity refers to the extent to which the data reflect the thoughts, views, actions and experiences of the subjects in an accurate

manner. (Messick, 1995). In a different light Borsboom (2004) argues that the validity of a test when measuring an attribute depends on the existence of the attribute and if variations in the attribute equally produce variations in the measurement results. When a measure is reliability and there is consistency, researchers should be more assured that the results represent what they are meant to (Jhangiani, 2019). As no single account can be regarded as wholly reliable and accurate, a method of triangulation is used as a means of accessing validity (Pierce, 2008). This research attained reliability through use of recording devices for accuracy data documenting where the voice of the subject can clearly be distinguished from the interpretations of the researcher (Merriam and Tisdell, 2015).

3.6 Ethics

Ethics as described by Showkat and Parveen (2017) are moral tenets that guide one's behaviour into doing what is 'morally' and 'legally' acceptable in research. Researchers are expected to take responsibility for the conduct of their work in terms of safety, dignity and well-being of the research participants (Shamoo and Resnik, 2009). A common theme in achieving ethics in research is consideration of the privacy, anonymity and confidentiality of the research participants and data collected (Jensen, 2020). The study's intentions are not to provoke any parties involved or make any political statements. As different stakeholders were interviewed it was imperative to stay objective and withhold all personal opinions throughout this master dissertation. For the safety and validity of qualitative information, participants were made aware of the recording of interviews and these recordings were carefully analysed and safely stored. Participants granted their consent through signing a consent form prior to participation. Ethics clearance was obtained before any data is collected as per the UCT EBE Ethics requirements and guidelines for research and is attached in the appendix.

3.7 Chapter Summary

This chapter outlined the philosophy and approach of the research. A qualitative research approach as better suited for this research and a combination of snowballing and purposive sampling methods were used as a means of collecting data. Semi-structured interview questions that stimulate conversation and further probing into the research were utilized.

4. Research Findings, Analysis and Discussion

4.1. Introduction

This chapter analyses the data collected from the interviews and builds from the case study area which is the City of Cape Town. This chapter is supported by the data from numerous sources found in the literature review and includes, but is not limited to, published documents and government reports. The data was collected, coded, and examined into fundamental themes and sub-themes, which formed the basis for this chapter. The chapter aims to answer the research questions on the effects of apartheid spatial planning and gentrification on inner city housing in South Africa. Furthermore, this chapter will uncover what actions the public sector has taken to enable more inclusive inner-city housing. Lastly, the development mechanisms that can be explored to enable more inclusive inner-city urban housing in South African cities will be reviewed.

Interview Participants

The participants of this research are anonymous and are characterised as follows.

RP01 is a town planer and economist employed by the Research Unit at the University of Cape Town with over 20 years of experience in the development and banking sector.

RP02 is an attorney who holds a doctorate in law and works with the NGO Activist organization in Cape Town with over 10 years of experience in inner city housing struggle and forced removals.

RP03 is a property fund manager for a housing fund based in Johannesburg with over 20 years of experience in housing development finance.

RP04 is a contractor's quantity surveyor with more than 10 years' experience working with a private housing developer in South Africa predominately based in Cape Town.

RP05 is a town planner at a private town planning consultancy with over 20 years of experience in housing.

RP06 is a development consultant at a private consultancy in Cape town with over 20 years of experience as both town planner and development consultant.

RP07 is a project coordinator volunteering a Non—profit organization focusing on providing technical support emerging housing contractors and developers, with over 10 years of experience.

RP08 is a government official in the Western Cape public sector specialising in affordable and social housing provision in central Cape Town with over 10 years of experience.

RP09 is a government official in the Western Cape public sector specialising in social housing policy in central Cape Agulhas with over 20 years of experience.

RP10 is a government official in the Western Cape public sector specialising in planning in central Cape Town with over 10 years of experience.

RP11 is a professionally registered quantity surveyor at a quantity surveying firm based in Cape Town with over 20 years of experience.

4.2. Inclusionary Housing Policy

The inclusionary housing policy has been seen as intertwined with the conversation around inner city housing affordability. Respondents highlighted differing opinions on the Inclusionary Housing policy in South Africa. A collection of participant observations is presented below.

"You do an application for additional bulk, you get objections, you get objections, from these specific bodies that want inclusionary housing included. Your option is twofold, either you go ahead with the development with inclusionary housing, which the majority of the times it's not feasible for us as there's no incentive for doing it, or you scrap the development and both the public and the private sector, misses out" - **RP04**

"...inclusionary housing is very much a specific strategy to get the private sector to build affordable units in market-driven development... I am absolutely 120% for affordable housing if it's in well located areas, I think it should be a massive priority... However, I think the inclusionary housing strategy is a poor one to bring about that outcome." - **RP01**

"...You can't do an inclusionary development when the levies are going to be equal to the tenant's salary. As a developer, I am not in control of the levies." – **RP03**

"…it needs an efficient local government body that will facilitate economic growth and increase opportunity therefore reduce price therefore sort out affordability. You cannot have a debate about inclusionary housing if you do not to have a debate about this context, this lack of efficiency."- **RP06**

"…for us, inclusionary housing in private development was the most concrete and tangible way in which you could ask the state and the private sector to buy into the idea of spatial justice. There has been a lot of criticism of inclusionary housing, that it doesn't do enough to address special and injustice, but at the same time, what measures are people adopting to provide for inclusive and equitable communities? I, see inclusionary housing as a specific mechanism, which is a start to looking more broadly at other mechanisms to achieve racial redress in private development, and developments that are led by the state"- RP02

RP04's concern is mainly that inclusionary housing is not always feasible from a cost perspective as it cuts or lowers their return on the project. According to RP01, the concept currently does not work, unless if high returns on the development can be generated though higher end residential or commercial stock to ensure that the developer attains his required return overall, notwithstanding the inclusion of the affordable units yielding lower returns. Furthermore, RP04 voiced that there needs to be more incentive for the private sector to include inclusionary housing in their developments. RP03 remarked that the concept of inclusionary housing was not feasible if the end users are still to pay levies as this would still be unaffordable to them. RP06 echoed RP04 in the opinion that the inclusionary housing policy could only be put into effect if the governing bodies themselves were efficient, their argument was that there was inefficiency within the government bodies that would enact the policy. On the contrary, RP02 argued that although there is much to critic on the adoption of the policy, it is a starting point to inclusivity.

4.3. The Effects of Gentrification

The subject of inequality is one ongoing conversation in South Africa, and this is evident in the inner-city housing patterns. The segregating nature of the spatial planning in the country today mirrors that of apartheid South Africa. Participants' response to the question "have the current development patterns facilitated the redressing of Apartheid spatial planning?" are iterated below.

"We are having an incredibly conservative planning environmental social approach in Cape Town, we are artificially inflating the land price, and people say but why didn't you end up with a South Paulo or New York or Mexico City where people are happy to build vertically? Quite simply, because as long as there is a market need for horizontality or low strung buildings, and the market is willing to pay the surcharge you're going to see an inflation impact on land. What happens is a small group of people can afford to pay more to keep a certain condition and the bulk of the population can no longer afford to be in the market. Right? that were your discrepancy or disparity comes from, from your Gini coefficient, right. It happens incrementally, but once it is established as it is established in Cape Town, it will never meet again." – **RP06**

"I've had to represent individuals whose rent has shot up by 40% overnight. Another case that was 200% overnight. This was all because of the effects of gentrification in areas like Salt River and Woodstock" – **RP02**

"...some very damaging things that have been happening over the last few years in, areas like Woodstock and Salt River that, I mean, effects of gentrification are so profound for families that have lived in those areas and have managed to escape the Group Areas Act demolitions and now those families are being evicted. They have nowhere else to go. Then, then the city provides emergency accommodation in places like Wolweriver, Blikkiesdorp which are on the far outskirts of the city, which then just entrenches spacial division and makes the ability for those families to better themselves infinitely worse." - **RP02**

"I think it's quite important to understand what's been driving that gentrification. My argument is we are not building enough middle-income housing in the right locations either. Increased demand for housing in those locations pushes up the prices and you start to get a displacement of fit. I don't think the redevelopments of Woodstock and Salt River would be the main driver. So, this has been my fight with like of Ndifuna Ukwazi. If you want to deal with the affordable housing problem, you've actually got to be building houses in the middle-income market as well, because otherwise we are just going to fuel this gentrification with no end"- **RP01**

RP05 remarks that when you compare South Africa to international cities, there is a higher preference to horizontal or individual freestanding houses. RP05 goes on to say

that most of the population have been excluded from the inner cities by the few that would prefer these conditions and can afford to pay for them. Additionally, RP05 points out the inequality of Cape Town as a city, referring to the disparity in income distribution seen in the city's Gini coefficient.

RP02 commented on the local effects of gentrification, referring to areas such as Woodstock and Salt River. These included exorbitant rental increases and evictions of families who had been staying in these areas for a long time to the periphery of the city because of redevelopment in the areas. RP01 argued with this point stating that redevelopment was not the problem but rather a lack of middle-income housing supply. He attributed the increase of housing prices in areas such as Woodstock and Salt River to high demand and low supply.

4.4. The Development Approval Process

The recognized principal is that each development has to undergo approval processed by the local municipality with which the project it located. However, the time taken for this process to be finalised bears significant effects and pressures on the project. Remarks on this process and its effects are outlined in the below selection of participant observations.

"It's about service contributions, it's the speed with which plan approval takes to make it work and the fact that they, themselves halt the developed by making it hard for us developers to do anything, at the time it has taken me a year to get plans approved in Durban." -RP03

"We need to streamline the development rights process. Getting development rights, that process, is taking somewhere between three to four years per project. Now, the holding costs on that are massive. If you just think of borrowing the money and capitalizing interest for four years over there. I mean, it starts to create havoc in the process. You asked me the question, what can the state do? The state needs to look at the cost drivers and look at the cost drivers that are in its control." -RP01

"The project must apply to all the applicable laws, regulations, building standards. There's quite a lot that goes into assessing these applications. It's got to go from the Affordable Housing section to Spatial Planning section to Water Use Management section, et cetera. All these people need to give comment on it to ensure that its proper due

diligence. I don't think that is properly appreciated from the outside. They have 500 to 1000 such applications that they're looking at, at any given moment." – RP10

RP01 remarks that the process of getting development rights takes more time than would be desired and this has heavy cost implications on the cost drivers of the project. This is echoed by RP03, who has had a similar experience of the approval process taking a long time. RP01 further goes on to comment that the state should look at the cost drivers they are in control of and how these can be minimised. On the other side of the process, RP10 asserts that the process takes time because of the different sections of government applications must go through to ensure proper due diligence of the process.

4.5. Policy Uncertainty

Policies that govern the development process are mostly implemented on a local government level. The capacity of these local governments to implement these policies came into question by participants during the semi-structured interviews. Select observations are set out below.

"…I know I've got to jump through all of these hoops, but at the point of starting this process, the hoops are not aligned. The single biggest incentive that we as developers can get out of government is for government to align its own legislation and policy towards delivery…" – RP06

"Your approval process is getting the some of the parts approved. For example, if in the City of Cape Town, I mean, the is a case in point of River Club. Whether you agree with the River Club, it's gone through the process of heritage and planning, etc. But within the same directorate in the City of Cape Town Planning and Environment, land use approved the development. The environmental colleagues in the same department appealed the NEMA approval at province." – RP06

RP6 emphasised that one of the major risks in development is uncertainty and the misalignment of policy environments contributes to this. RP06 says that the process of acquiring planning land-use rights as well as environmental or heritage approvals, add time and costs to the process and this increases the risk for a development.

Although RP9 argued that all spheres of government work together in the approval process, this did not seem to align with the case of the Riverclub development in Salt River Cape Town as explained by RP06.

As RP06 explained, the case of the Riverclub development, a project is set to be a 4-billion-rand mixed-use development sitting on what is currently a golf course. The Western Cape Department of Environmental Affairs and Development Planning (DEADP) approved the development in April 2021. However, the development received objections from the Heritage Western Cape (HWC) as it was not compliant with the National Heritage Resources Act. Furthermore, an appeal was submitted by the City of Cape Town's Environmental Management Department against the Environmental Authorisation granted by DEADP.

4.6. Community Opposition

As the community plays a significant role in developments, it is of good practice for developers to gain positive support from the local people as their opinion can make or break the viability of a development. Participants shared their experience regarding the matter in the below selection of observations.

"…If you go for rights, that's not already on site, you always get objections. We've had on a previous, a couple of our previous sites which obviously delays the program." - RP04

"…and as a consequence of the application we got, I don't know, 900 and something odd objections from people residing in Sea Point. The majority of which were concerned with two things – traffic, which they always are concerned within a rezoning application…" - RP05

"PRASA had a development in Diepriver, where they included a 30% for affordable housing, as a voluntary contribution towards spacial justice. The neighbours for this development also objected on the basis that it increased traffic." – RP02

"it's not really the approval processes within the departments or the City of Cape Town. What takes the longest is those re zoning applications of specific areas and this is because of people that don't want such developments in their areas. So, they object to it…because people don't understand what's being or going to be developed in their area" - RP09

"The veiled racist approach, which basically said we don't want these people living in our area. Code as simple as that. They didn't say it quite so openly, although some people did. But it was patently obvious that the majority of people were like that. It's incredibly related to the NIMBY syndrome. You know, just not in my backyard. Don't do it. You can do it anywhere else, but not here." -RP05

"…they have to tell the people, this is not going to impact on the value of your house, because that is the biggest fear of people. So, I don't want to think that my 10 million Villa will now be devalued to 5 million only because of the people that are going to live next." – RP10

RP04 alluded to how objections lead to process delays which have a financial impact on the project. RP05 added to this stating that communities object to developments when there is a re-zoning application. According to RP02, PRASA's development in Diep River erf 79204 and 79208, was intended to include 30% of the units for affordable housing as a voluntary contribution towards spatial justice. This development received objections from the neighbours on the basis that there will be increased traffic and, they wanted more parking space as a result. In the end, they complied with the concerns, but this meant that the affordable units had to be reduced to keep the project feasible.

RP09 supported RP04 and RP05's claims that the objections are common in re-zoning applications and delay the approval process, and further that it is caused by people currently residing in these areas that do not want the developments. RP05, resonated with this by explained that some objections are indirectly liked to racism and are a façade for what is called "NIMBY-ISM" normally referred to as "Not in my back yard". RP10 further discussed how some objections that developers have come across are due to the fear of crime and a decrease in property values.

4.7. Political Influence

Complementary to the community's input on developments is the influence of politics which exists in large scale property developments. The political landscape surrounding a development could have an immense effect on the development. This was observed in the select interview responses below.

"…Political influence is a nightmare. Political influence is so important with our developers we always told them, include your counsellor of the area because they are your voice of reason to those communities." – **RP09**

"… basically, what happened was the politicians decided that they couldn't risk discussing a development application during local government elections as this could potentially be a political hot potato. So, they turned it down." - **RP05**

"When you want a specific affordable housing project in an area, you need to educate the people in the area, and you need to have local politicians who support it they basically have to be able to, to explain to the people like this is what we're planning to do. *This is what it will look like is this is what the impact it will have on the area."*- **RP10**

"…because the politicians wanted to appease the residence. They made a decision which included more parking, which ultimately meant that decrease the ability for the developer to do inclusionary housing. With political interests there's no real mechanism to ensure that there's any accountability for that, especially at the high levels" – **RP02**

RP05 pointed out the influence of political influence on developments especially during election seasons this is reiterated by RP02 who states how decisions are made by politicians in efforts to appease residents of certain classes. RP09 suggested that developers must always include the local counsellors in the facilitation of the development as they are the voice of reason within a community. RP10 stressed that it is also important to have the support of other local politicians as they are best to explain to the people what the development plans to do and how it will impact them.

4.8. Release of Public Land

While urbanisation in South Africa is on the rise, it is met by low economic growth and elevated levels of inequality in inner cities. Participants remarked on the need for public investment into the housing problem that is not in the periphery of the city presents as a solution. The release of government owned well-located land in the inner city came up in discussions with participants in the observations set out below.

"…the whole conversation of inclusivity of the cities, the work is around unlocking well-located parcels of land within the inner-city…Cape Town in particular, the land prices are quite expensive…"- **RP07**

"SOE's also own significant amount of property. There's Transnet just outside of Culemborg and, PRASA owns a lot of land. There are no clear obligations on them to use their land for a social purpose." -RP02

"The state owns a huge amount of public land, whether it's at a municipal level, a provincial level whether it's PRASA, whatever it is…. It's huge amounts of public land a, well located. They need to release that land into the market. Release of state-owned land at nominal value" – RP01

"I think the public sector should be putting land into the private sectors hands for development. That allows for the private sector to profitably develop it. But under circumstances which addressed the needs at the local authority or the state or the province. The public sector are though worst developers in the world. They have no incentive to be efficient. They have no incentive to be good developers."- RP05

"If you read the City of Cape town's Stormwater policy, or the city's views on environmental protection, and the city's views on the urban edge, you will conclude that there is no more land available. Now that's not true. There's a lot of land available. A lot of it owned by government, a lot of it's sterilized by unnecessary road reserves that will never be used. I mean, if you go into Mitchelle's plane, or you're going to Athlone, you sitting with in certain instances, 2030-meter-wide road reserves, but you've got two lanes of road, right? You have kilometres and kilometres of 1520 meter road reserves that can be put into the market tomorrow." RP06

"The developers or the private sector could say we know land is an asset to the municipality, we know that you want to do gap housing and put in a proposal to build this for us. you must remember a lot of those proposals are profit driven. Government needs to speak to its needs and its requirements on these parcels of land. "– RP10

"*You must look at is how the city acquired that land. Before development contributions, there was a thing called betterment fees. They got given that land for free and you got given your subdivision rights when you did a major layout, and you had to give up land for schools or land for a police station or landfill, clinics or whatever. Now the problem with that is it was ceded to be provided for a particular facility because in those days the local authority determined that that facility was a requirement. They can't now, turn*

around and say, well, we thought that we were going to need a school, but we don't want to school anymore. We're going to sell it to somebody else for housing" – **RP05**

To promote inner-city housing inclusivity, there is a need for well-located land parcels within the inner-city as land in the city is costly, as iterated by RP07. RP02 indicates that the state-owned enterprises such as PRASA and Transnet own a large amount of land which they are not obligated to use for social purposes. This is resounded by RP01who points out the land owned by municipalities that could be released at nominal prices to facilitate affordable housing. RP05 further adds to the conversation by expressing that land should be given to private developers as the state is incapable of efficient development on its own. RP06 argues that there are large amounts of dormant land that is well located but currently standing as road reserves.

Contrary from the public sector side, RP10 concludes that developers in their proposals for partnership with public sector are profit driven, and that government's first responsibility is to the taxpayer and make sure that the land parcels meet the needs they are set out for. RP05 resonates with this in revealing that the one has to look at how the land was acquired as the city cannot turn around and negate that reason or service.

4.9. Private land

Subsequent to the release of public land is the availability of private land suitable for housing development.

"I don't look at the problem with respect to just South Africa. I looked at it with respect to Africa as a whole, there is just land in the rural areas with chiefs, who literally distribute land according to the liking or view and tenure is not fixed again, making land 'unbondable' in most instances, further perpetuates poverty." - **RP03**

"…for example, Bothasig, that project if I can reference to was declared as an open space and the City of Cape town changed to being developed. Communicare had an old age home partial on the site. But then the site next to it, was open space, recreational space for the communities and the City of Cape town changed that to develop for the community, and they obviously engaged with Communicare to, release that land to them for the development of social housing." – **RP09**

RP03 remarked that apart from land owned by the state, there is private land owned by tribes that is distributed unfairly with unformal land use agreements that disadvantage the people and aids in the perpetuation of poverty. RP09 referenced to the Bothasig project were the City of Cape Town negotiated with Communicare, a private land to release a portion of their underutilised land to the city for social housing development.

4.10. Development costs

The first cost incurred in a development is the purchasing of the land and thereafter, getting the land 'ready' before the first brick is cast. This process involves acquiring the necessary rights to develop the land. As mentioned before, this process proves to take extenuatingly long. The problem with this is that the longer the process the higher the risk and the more it will cost the developer in the time cost of money, that is interest on capital and holding costs. A selection of observations from semi-structured interview questions is set out below.

"Buildings going up in OBZ were coming onto the market at about R34,000 per square meter, which is completely unaffordable to three quarters of the population. When you start to break the thing down, only about a third of it that's made up of construction costs, and a lot of it is around the development process itself and getting a piece of land to the point that you can put a brick into the ground." – RP01

"Only about 53% of your total costs, depending on a specific development, it ranges and could go as high as 60, is the sum of your land, bricks, mortar, and your professional fees. The rest is eaten up by time, interest, cost of money." -RP06

"The municipality charge us exorbitant bulk contributions, as if they are not going to earn rates and taxes and consumption off the same property, and then you expect the developer to try and absorb the cost." – RP03

"When I started my career 25 years ago, I did the typical medium scale development, there would be the client, a quantity surveyor, an architect, an engineer, and maybe a town planner, not always. They would be electrical engineer and in certain instances, a mechanical engineer and maybe a landscape architect. That's the team you would have around the table. Now you go into a project meeting and you sitting with 20 or 30 people around the table …." -RP06

RP01 voiced that the bulk of construction cost sits in the development process, which is the process to get the land to a point were actual construction can take place. In the same line of thinking, RP06 stated that 40-50% of development costs go towards time and interest. To add to the conversation, RP03 revealed that municipalities charge exorbitant bulk rates – the cost to get the site developable, and that these costs will be passed on to the end user.

As pointed out by RP06, the complexity and level of professional inputs required in the feasibility and the project contribute to increased project costs. This is mainly due to new building regulations and requirements.

4.11. Alternative building technology

Whilst there is a plethora of factors that influence building costs, building methods and processes play a vital role in project delivery. Literature suggests that alternative building approaches have been found plausibly cheaper than traditional methods. This was discussed with interview participants and the selection of observations is set out below.

"It's difficult like for places like South Africa. We are creatures of habit. We know that conventional slabs, red bricks, get your building up strong and stays there, forever. So, it's going to be a difficult thing. There is obviously added techniques, I'd say, but it's not proven and used in the industry enough that we can actually say we're confident to use it. I don't think there's enough people that's going to go and try and test something out" – **RP04**

"…so even if it's built with the latest polycarbonate materials, that perception that people will have is, this is junk…"- **RP11**

"…alternative building technology must be used. And, and obviously we need to bring these developments to make them more energy efficient." – **RP03**

"…in terms of construction itself, what Europe is already showing us, and China is that one of the biggest incentives to consider is alternative building technology. i.e., prefab. Assembling units on site is time. Right? So, if you look at that hospital they built in when the outbreak happened early last year. in China. They built a couple of 100 bed hospital and in a question of week." – **RP06**

RP04 stressed the difficulty of applying new technology in South Africa, that the industry is used to conventional materials and lacks confidence in the new building techniques as they have not been applied for people to be confident enough to use them. RP11 resonates with this belief as he states that the perception of people in South Africa is that alternative materials are not suitable.

RP03 declares that there is a need for alternative building technology to make buildings for efficient and some of these are already being employed in South Africa. The need is agreed to by RP06 who offers examples of international projects in China were such technology has been applied and the results observed.

4.12. Rental Housing

There are different approaches and options to housing tenure, depending on one's preference and affordability. Rental housing was presented as one of these options. Observations from participant responses are set out below.

"I noticed from the beginning when I came to South Africa, that people in general have quite a difficulty with rental instead of ownership. I mean where I come from renting is very normal and you don't have to pay a bond, you just rent. If you want to move, you move. When I would have to teach counsellors about rental housing, they would say no, but that's not fair, people should be allowed to own their house. They shouldn't be paying the bond that somebody else has" – **RP10**

"…under rental housing, you have the programs of social housing, RU program - community residential program, and then you also have the institutional subsidies as well. Basically, institutional subsidies for rent to own in terms of property buying." – **RP09**

"I think the biggest thing that one needs to push it is the social housing where people can rent a space suitably…. and managing the stock is easy. There are quite a few social housing management entities, some government some private, as long as people that are managing the property whether its government or private doesn't make a difference. It is the skill and managing that counts. So, you can keep it affordable as long as your escalations are in line with inflation then that's fine, it'll always be affordable. – **RP03**

RP10 shared that unlike some parts of the world, the people in south Africa are not too comfortable with the concept of rental and would much rather own their houses. RP09

provided some solutions that municipalities are adopting for ownership options such as the deferred ownership or rent to buy. RP30 reiterated the need for rental social housing stock and goes on to say that efficient management is key to maintaining the rental stock affordability.

4.13. Discussion of Findings

The researcher interviewed, transcribed, and diligently analysed eleven participants' narratives to come up with the following key findings and main conclusions.

a) Inclusionary Housing

As reflected in the literature, the need for an inclusionary housing policy has been in debate for quite some time, with some industry professionals being for it and some against it. The key is to find a middle ground where both the public sector, private sector and end-users can benefit from the policy by fine-tuning the process to make it in the least fair. The new inclusionary housing policy in the Western Cape as discussed with respondents, states inclusionary housing as a mandatory condition attached to the approval for additional development rights for a private developer. The inclusionary housing contribution from the developer can be on the site included in the development, off-site on another site available to the developer, in lieu contributions – meaning financial contributions by the developer towards affordable housing. The draft framework emphasises that the viability of a development should not be compromised because of the imposition of inclusionary housing. This will come as a relief to developers weary of the financial viability of their projects due to the new inclusionary housing policy. One other positive outcome of the inclusionary housing framework is that beneficiaries are allowed to sell over their units but to keep these units affordable, the selling prices will be capped.

As founded in the literature, the City of Cape Town Inclusionary housing implementation strategy establishes values such as serving as land value sharing to achieve a fair distribution of the benefits of urbanisation within the context of trends within a post-apartheid property market in Cape Town. It also serves as an additional mechanism to provide more well-located affordable housing in the property market and as an avenue for entrances into the market by incentivising the development of housing products for essentially the lower-middle-income households within the City. The policy

is to promotes and create affordable housing that stays affordable in perpetuity and incentivise well-located affordable developments that create integrated and inclusive neighbourhoods, thereby redressing apartheid spatial inequalities. Further its purpose is to promote a partnership approach between the public and private sector towards the development of affordable housing. However, some of the concerns raised by the respondents need to be addressed further were policy efficiency and financial risks are concerned. Developers are still concerned that a mandatory approach to the policy will implicate their businesses financially in an economy where they are already just breaking even.

b) Addressing Gentrification

When you compare South Africa to cities such as Sao Paulo, New York, or Mexico City and how they have managed housing in the inner-city by building the finding is that they build vertically. If there is a market demand for horizontal, single-standing housing, and the market is willing to pay the surcharge for it, there will be inflation on land prices thereby making building in the inner-city an expensive exercise. Much unlike cities in South America where markets respond to urbanisation is to build upward, the land use and densification in South African cities have remained horizontal.

Gentrification in this sense happens when only a small group of people can afford to pay for more expensive housing, whilst most of the population can no longer afford to stay in that market. This is illustrative of major income disparities presented in South Africa's high Gini coefficient. This is an important notion to consider when looking at development alternatives with reference to international examples (SACN, 2016). When analysing the affordability in the inner-city, there is an astonishing gap between the upper and lower classes, resulting, major variation in the general cost of living. One suggestion put forward regarding intervention was through releasing substantial amounts of land into the market in order to reduce input costs. Furthermore, there is a need for a deeper analysis of the areas at risk of displacement and how best development and regeneration can carry on without squeezing the poor out of these communities.

Mixed-income housing developments can be a consideration as an alternative approach to affordable housing provision, whilst keeping in mind the existing income brackets of the area. This should take the form of a combination of market-related housing, GAP housing as well as social housing on a single site. This would not only aid in reducing

gentrification whilst regenerating areas, but also reduce income-based segregation in the inner cities.

c) Aligning of Policies

According to the interview participants that are developers and current literature evaluated, this process can take between 2 and 8 years. Three reasons that came up most in conversation were (a) the misaligned government policies and (b) community objections and (c) political entanglements.

Municipal approval is an undisputed requirement for building plans for any proposed development, renovation, or extension, and this must be through the local municipality. The municipality considers various factors along this approval process among others, the impact of the development to the surrounding areas, environmental implications the development may cause, as well as the impact due to the heritage status.

There are two main pieces of legislation that govern the right to build on a site: (1) The Municipal Planning By-law (which includes the Development Management Scheme and Zoning Scheme Regulations) whose authority is derived from the Spatial Planning and Land-use Management Act 16 of 2013 and (2) the National Building Regulations whose authority is consequently derived from The National Building Regulations and Building Standards Act 103 of 1977. Furthermore, there are other governing acts in the process, namely the National Heritage Act 25 of 1999 and National Environmental Management Act 107 of 1998, which all play major roles in the development approval process. While these legal bodies and legislations are set to work harmoniously to bring the development to being, participant argued the congruent nature of these bodies as seen is the case of the River Club development, how the offices that enforce these sat at odds.

d) Fast-track approval process for affordable housing

One of the delays in the development as pointed in the findings is the applications process for development rights. A significant realisation is that the public sector could proactively rezone vacant or underutilised pieces of land in the inner-city and surrounding to allow for additional affordable housing development opportunities. This would take away some of the risks and save time for developers if they do not have to go through this potentially risky process themselves. In the end, developers could save on the time and costs they

would have incurred through streamlining development approval processes and the acquisition of required development rights.

As noted, out in the findings, the policies, and the requirements for a development application to be approved are essential for matters such as public health, traffic, good coherence, and well-designed cities. It would not be right to let a development through without considering these issues. Although there may be reasons why approval processes take so long, it should not take long to the point where it stifles development. An alternative approach to incentivise affordable housing development or inclusionary housing development is to fast-track development applications where such developments are concerned. As the common saying goes; time is money, in property development this means the costs of development capital. The shorter the time it takes for the developer to make his return the cheaper the development costs, the more viable affordable housing projects can be.

e) Development Costs and Incentives

From the findings it was revealed that policy uncertainty contributes to highly priced construction materials across the country. Construction costs include the actual brick and mortar needed to erect buildings, the less the supply or rather the fewer the suppliers the higher the price. Low, or lack of competition causes market leaders to charge whatever they want, and this is usually a high price. An example mentioned by one private developer is that there are only a handful of well-established core construction material producers and specialised contractors. The reason is attributed to the lack of a clear line of sight in the economic direction for one to invest in a market that requires such high capital input. One would be gambling in such an environment with no policy certainty; some level of predictability in the take-off of raw building materials is needed so that there would be exponentially more competition. The biggest challenge for the public sector, as revealed by one consultant, is to open the economy to allow for market competition, in accord with the neo-liberal economic development practices.

The literature from the incentives found in the Transport and Urban Development Authority (TDA) inner-city housing prospectus revealed that, the City of Cape Town has set out to include discount land prices as part of the incentives. Research participants revealed that one of the reasons for delays in approval and abetting factor in increased development costs is the lack of aligned government policies. The policies also set out to

also a waive or reduce development charges for social housing projects and waiving or reduction of municipal and planning fees and further an exemption on rates or rebates for social housing.

Additionally, the relaxation on parking ratio requirements and densification bonuses could also positively impact on development costs as found in. These are initiatives that could be extended to all affordable inner-city housing projects, to achieve inclusionary housing. This would significantly reduce the cost of housing in the inner-city by 4% in reference to the cost breakdown provided in Figure 6.

f) Land Availability

When the market is flooded with land, the land value will consequently decrease. The consultant warned that there is an incredibly conservative planning, environmental and social approach in Cape Town and this is effectively artificially inflating the land price.

One of the major incentives that the public sector can offer to developers to achieve more affordable housing, as voiced out in the interviews was land.

The City of Cape Town, in the affordable housing prospectus, made aware of options with which land was to be released. These include long term leaseholds (30 years), land sale based on a nominal value calculated a 10% of market value. These options, like the incentives, are based only on public social housing. However, given the severity of the housing situation in South Africa, such options should be open as well to developers volunteering to include inclusionary housing into their developments. The public sector land in this context is not only limited to vacant land but also underutilised buildings owned by the public sector lying dormant in the city centres.

When land is discussed in conversations around affordable housing, often, people tend to think of public/state owned land. The state does have a responsibility to ensure the provision of affordable housing and there are hectares of underutilised state land available across the county. However, there are also large tracks of vacant or underutilised privately owned land. Consequently, the public sector can incentivise such landowners to release or develop this land by increasing rates and taxes on vacant land in well-located areas. This, however, should be done cautiously to maintain good relations with the private sector. A successful example of this discovered in the findings is with Communicare an NGO that owned a large piece of land in Bothasig that was

partially occupied by an old age home and the rest of the site was underutilised communal space. The City of Cape Town, according to research participants, engaged with Communicare to release that part of the land for social housing development, whilst integrating the existing old age home into the project. Public/ private sector partnerships can be formed in the sense of supporting the private sector in the development of private land for the public good.

g) Adaptive reuse of commercial stock

due to the pandemic and businesses closing shop or moving to the online space and working from home, an opportunity can be found in market conditions to push forward affordable inner-city housing, through the reuse of existing building stock in the form of unoccupied or underutilised commercial buildings. However, certain variables that influence the viability of a commercial to residential conversion. Firstly, the demand in the area, luckily demand for housing in the inner-city is mostly high. Secondly, the location of the commercial space must be in an area suited to meet the demand and above all, has access to amenities. Lastly and most importantly, the physical characteristics of the existing building must allow for conversion. A common issue faced in commercial conversions is the layout of commercial buildings versus the desired layout of residential buildings and this is prevalent in B and C grade offices which are primarily not well designed or conversions. According to preliminary research done by Rob Mcgaffin at URERU (2015), commercial buildings are currently at R15-R20 000 per square metre. For residential conversion to be viable, given the need for service reconfiguration, natural light, and ventilation requirements etc, one would need to acquire the building south of R10 000 a square metre for that to be possible.

h) Rental Stock

Given South Africa's history of forced removals, targeting tenants in particular, rental housing is not an appealing option for many occupants. Also, many inhabitants would rather own their homes than 'contribute to someone else's mortgage'. However, rental housing has been seen as a sustainable option that guarantees housing affordability whilst assuring accessibility to basic amenities and services. Furthermore, as people have different housing needs, this could be a viable solution for those that cannot yet afford to own or those needing temporary accommodation. Reflecting on the rental housing policy mentioned in the interviews by the City of Cape Town officials, most municipalities are

adopting or considering reducing their housing backlog, the South African Local Government Association (SALGA) developed and refined a Municipal Social Housing Toolkit that offers a range of rental housing options. One of these options is "differed ownership". A pilot project in the Cape Agulhas municipality is underway to provide such units where the units are on a rent to own basis. This means that the beneficiaries rent the unit whilst on their way to better their credit score, increase their earning and so forth. Whilst this has only been applied to social housing, this could also be an opportunity for tenure for the gap market if applied correctly.

i) Adopting alternative building technology

Technological advancements in today's commercial spaces are nothing new, and this is also true for the built environment space. The COVID-19 pandemic made prominent the effectiveness of the innovative technology available in the industry through the 10-day construction of the Huoshenshan Hospital that shook the globe. Following the 25 000m2 successful example set by China, a hospital was built in Nur-Sultan in Kazakhstan in 13 days. The president of the construction company involved in the construction of the Huoshenshan Hospital explained that apart from the great amount of labour, the key was the use of prefabricated material and technologies such as BIM to shorten the period to deliver the project (Xiaowai, 2020).

In South Africa, slow progress has been noted in government social housing projects in Worcester, Western Cape. The construction of these units has implemented the "Moladi" system which is illustrated below. With the mass construction of social housing, the structures produced are durable and solid amongst other things. This system could save on labour and time and reduce material wastage - all factors which contribute to the costs of a development.

Figure 16: Moladi System, Worcester Social Housing Project (Mapiye, 2021)

4.14. Summary of Chapter

This chapter sought to address the aims and objectives of this study which were to understand the roles of the public and private sector and also to explore alternative approaches to inclusive and affordable inner city housing developments. The chapter began by grouping selected responses from the semi-structured interview questions given by the participants into themes which where then analysed.

The proposed alternative approaches and interventions include appropriate policies and incentives such as the inclusionary housing policy, streamlining of the development processes and approval processes, the release of public and private land.

Given the history and racial divide that still exists in South Africa, often, as respondents expressed, developments are stifled not only because of classism but racism as well. The "NIMBY-ISM" syndrome, when the middle and upper-income homeowners object to the development of medium to low-density housing in their neighbourhoods was also found to be a social factor that contributes to lack of inclusivity in the inner city. Furthermore, the chapter learned that enabling the "NIMBY" problem is the influence politics in an area brings. The factors discussed above show that there are several limitations in the provision of affordable inner-city housing in South African cities. Nevertheless, much can and has been done to overcome some of these challenges from both the private and public sectors.

5. Recommendations and Conclusions

5.1. Conclusions

The research question of this study was aimed at building a broader understanding of the key issues around gentrification, inclusivity and 'the right to the city' within the South African context. Furthermore, to understand the underlying causes of unaffordability in inner-city housing and the roles of the public and private sectors. By using inclusivity as an analytical lens, a critical understanding of what makes inner cities unaffordable as well as the impact of gentrification and current development practices was explored. The proposition is that inner-city housing can be facilitated by the state through appropriate policy, political, financial, regulatory, process, land and infrastructure development interventions. This study purported to also explore alternative approaches to more inclusive and affordable inner city housing developments and to answer the research questions.

What are the effects of apartheid spatial planning and more recently gentrification on inner city housing in South Africa? What actions have the public sector taken to enable more inclusive inner urban housing?

What development mechanisms can be explored to enable more inclusive inner-city urban housing in South African cities?

Demand-based decision-making is quite an important factor that was revealed in this study. Both the public and private sectors, need to listen more to the needs of the public and incorporate them in development and policymaking. A well-informed community is most likely to be a satisfied community, and this might lead to fewer development objections and integrated solutions to work around challenges such as gentrification. Whilst the government's actions towards implementing the inclusionary housing policy is an appropriate step towards affordability in the inner-city, much more can be done to support further interventions. A lot of focus from municipalities has been majorly on social housing, which is respectable as social housing has its place in the market. Strides taken to provide housing options in the form of either rental or ownership in inner cities will positively counter the effects of gentrification with proper urban planning and implementation. However, as this only caters to those earning under R3 500, the question was to find out if the industry can or is providing alternative ways of meeting the housing

demand for the growing gap market. Alternatives were found in municipalities where different forms of tenure are being offered such as the deferred ownership programme facilitated through CRU.

Alternative construction technology though not widely common amongst local developers is being implemented in projects. Ways of motivating more contractors to adopt alternative materials need to be explored, as faster construction reduce the time cost margins of construction. With all the sudden changes the world has endured in such a short period of time, a few things remain certain, people need food to eat and beds to sleep in. The past two years since the pandemic, have emphasized the importance of housing for every individual as cities made extra room to accommodate the homeless during the hard lockdown. It also showed the reduced need for commercial space because employers have started to move out of the CBD into the virtual space while working from home has become an increasing option. Moreover, the desire to be in the inner-city, with its abundance of working, recreating, social, and other urban opportunities should further be explored from a citizen point of view. With these events, a number of commercial buildings have become redundant and can be explored for commercial – residential conversions. Traditionally, the demand for inner city housing is based off the need for proximity to amenities and more importantly employment opportunities. Intriguingly, it was noted in this study that due to the pandemic, some if these employers have moved out of the inner city and onto the online space. This raises the question, will the demand for inner city housing persist in the near future?

The cost of inner-city housing lies on the cost of development which developers have struggled to reduce to a point where the end user benefit or afford. This is widely due to the strenuous development approval process that binds developers to years on end of holding costs and development risks. Whilst the municipalities argue that the fault is with the developers needing additional rights and due diligence on their part leads to longer waiting periods, much that can be done to minimize this process to limit the costs added to the development for the sake of the end-user.

The provision of affordable housing in well-located inner urban areas continues to be a major challenge for South Africa because of rapidly urbanising cities. Whilst there is much-needed government intervention, it must be in a strategic way formulated through functional and practical collaboration with the private sector. Such collaborations can

include alternative incentives for private developers to provide affordable housing as their businesses require a return to keep operating.

It must keep in mind that private sector developers are not obligated to provide affordable housing developments, even though the new inclusionary housing policy is intended to make inclusionary housing a mandatory requirement. According to private developers, no amount of taxation or incentive can push a developer to enter into a market where there is no evidence of demand nor of profitability. The greater the risk, the less likely developers would proceed with a development. Caution must be taken not be discourage developers from participating in the inner-city affordability market as this is a much-needed product, while real estate development is an integral economic activity, contributing a substantial 30% of South Africa's GDP. While private developments need to include a sense of responsibility to community needs, such as affordable housing, this concern needs to be nestled alongside the incentives explored with this research in order to motivate developers. This could take the form of including affordable units in their developments or alternatively contributing a certain percentage to an inclusionary housing fund.

5.2. Recommendations

The scope of this study was limited to the South Africa context, particularly Cape Town. Areas of recommended further research to advance the provision of affordable inner-city housing include;

1. What is the role of the NHBRC in the provision of affordable housing and how do the levies imposed on developers and end users affect the overall cost of housing?
2. What are the significant development cost drivers that lead to housing unaffordability?
3. What is the impact of alterative building technology on the development process and how does it aid to housing affordability?
4. What policies govern the release of state-owned land and what barriers exist that hinder the fast release of state-owned land?
5. How has/will COVID-19 affect the demand for inner city housing and proximity to inner cities as businesses move to working from home?
6. Can property filtering be an effective tool in the South African context?

The National Home Builders Registration Council (NHBRC) is a statutory body whose purpose is to ensure quality in the newly built housing stock. Initially, the NHBRC regulated quality on housing less than R250 000 but with the enforcement of the Consumer protection act of 1988, this has extended to all housing. Registration with the NHBRC is compulsory for all home builders and this is reviewed annually. In the 2020 financial year, the NHBRC's revenue was a little over R800 million rands, with R500 million rands in salaries and only R11 million paid out in warranty claims by homeowners. As illustrated in the extract of their latest financial in Annexure 3, the NHBRC has access to a significant amount of funding from housing development which can be used in the furtherment of affordable housing development where it is lacking. As shown in Figure 6 the costs associated with NHBRC registration contribute at least 1,28% to the cost of development. These costs need to be investigated and this should include exploring areas where development costs can be reduced to lighten the financial burden on the end-user. Furthermore, further study into the financial allocation of excess funds accumulated by the NHBRC should be pursued. If there is a chance that funds can be availed from this body that could assist in housing provision in the inner-city and surrounding, it would be worthwhile to give it attention.

For developers, housing supply is optimal when the value of a new house exceeds the cost to build it and therefore there is a need to tackle and understand the cost drivers of housing. There are significant cost drivers in getting a site to the point where construction can begin, which involves inter alia land supply, bulk infrastructure capacity and acquisition of development rights along with ease, predictability, and timeframes of the development. Although there is existing research on development cost drivers, there is need for a broader understanding on these costs in relation to affordable housing and inclusionary housing perspective. It would be a beneficial study to understand these cost drivers in detail to understand to what extent they impact the project's viability, which entity is responsible for them and how best they can be address.

With the advancement of technology that has extended to the construction space, it would be essential for future research to explore the impact of alternative material and building practices that are being employed in international projects. A key reason for this would be to investigate the potential time and cost saving impact these approaches have on projects and how this can aid in the timeous and affordable provision of inner-city

housing. Furthermore, this study would explore how such methods, if found to be effective can be employed in the South African context. It was made clear inn this research that there is hesitance in the industry when it comes to steering from traditional materials or building methods, therefore, future studies could explore ways in which industry professionals could be educated or incentivised to explore non-traditional building technology.

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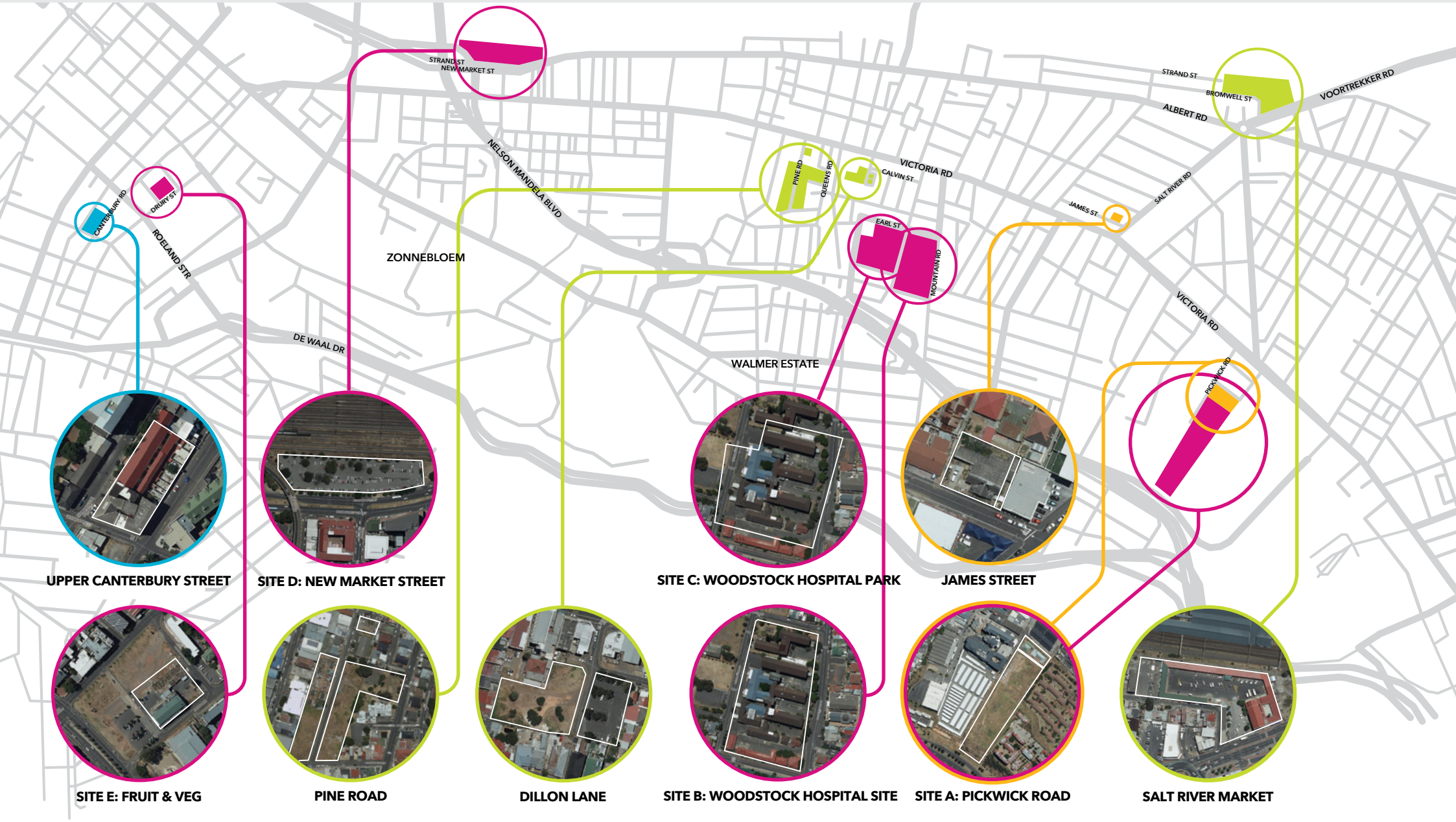
ANNEXURE 1

SITES AVAILABLE FOR DEVELOPMENT AS AFFORDABLE HOUSING | SITE FOR FUTURE DEVELOPMENT | SITES ALREADY ALLOCATED TO SOCIAL HOUSING INSTITUTIONS | SITES TO BE DEVELOPED FOR TRANSITIONAL HOUSING



ANNEXURE 2


SALT RIVER/
WOODSTOCK
Land Use
Valuation Values - Use Categories
<all other values>
USE_CDE
Unknown
Residential
Business/Commercial
Industrial
General Residential
Vacant Land
Institutional
Special and other uses
Hospitals
Agriculture
Civic
Places of worship
Mixed use properties
Unknown
Public service infrastucture
Sectional title units and schemes
Railway
VRC_stations
0 62.5125 250 375 500
Meters
1:15 000
Transverse Mercator Projection,
Central Meridian 19° East,
WGS84 Ellipsoid using the
Hartebeeshoek94 Datum
Date: September 2017
CITY OF CAPE TOWN
ISIXEKO SASEKAPA
STAD KAAPSTAD

ANNEXURE 3

SUPPLEMENTARY SCHEDULE
for the year ended 31 March 2020

31. INCOME STATEMENT

	NOTES	2020 R	RESTATED 2019 R
Insurance premium revenue	12	668 700 379	776 184 317
Fee revenue	13	80 016 941	101 043 788
Technical services revenue	14	15 346 610	675 000
Other revenue	15	49 452 122	30 412 510
Total revenue		**813 516 052**	**908 315 615**
Insurance claims and loss adjustment expenses	17	9 603 207	(1 660 884)
Accreditation, builders manual and certificate cost	30.2	(1 487 823)	(1 184 935)
Technical services expenditure	30.3	(12 555 351)	(917 468)
Administration expenses	30.4, 26	(849 165 304)	(737 556 229)
Total expenditure		**(853 605 271)**	**(741 319 515)**
Surplus from operating activities	19	**(40 089 219)**	**166 996 100**
Net investment income		**176 813 031**	**423 538 888**
Interest received and investment income	17	474 708 950	451 500 505
Realised loss on financial assets	4	(331 033 076)	(29 996 934)
Unrealised gain on financial assets	4	42 044 125	12 646 639
Asset management service fee		(8 906 968)	(10 611 322)
Net surplus before finance costs	18	136 723 812	590 534 988
Finance costs	19	(4 964)	(31 289)
Surplus for the year	25	**136 718 848**	**590 503 699**

ANNEXURE 4

Application for Approval of Ethics in Research (EiR) Projects
Faculty of Engineering and the Built Environment, University of Cape Town

ETHICS APPLICATION FORM

Please Note:
Any person planning to undertake research in the Faculty of Engineering and the Built Environment (EBE) at the University of Cape Town is required to complete this form **before** collecting or analysing data. The objective of submitting this application *prior* to embarking on research is to ensure that the highest ethical standards in research, conducted under the auspices of the EBE Faculty, are met. Please ensure that you have read, and understood the **EBE Ethics in Research Handbook** (available from the UCT EBE, Research Ethics website) prior to completing this application form: http://www.ebe.uct.ac.za/ebe/research/ethics1

APPLICANT'S DETAILS

Name of principal researcher, student or external applicant		KAREN MAPIYE
Department		CONSTRUCTION ECONOMICS AND MANAGEMENT
Preferred email address of applicant:		mapiye.karen@gmail.com
If Student	Your Degree: e.g., MSc, PhD, etc.	MSC
	Credit Value of Research: e.g., 60/120/180/360 etc.	60
	Name of Supervisor (if supervised):	DR. CECIL MADELL
If this is a researchcontract, indicate the source of funding/sponsorship		N/A
Project Title		NNER CITY HOUSING: AN EXPLORATION OF ALTERNATIVE APPROACHES FOR CITY REGENERATION THROUGH THE 'HOUSING INCLUSIVITY LENS

I hereby undertake to carry out my research in such a way that:

- there is no apparent legal objection to the nature or the method of research; and
- the research will not compromise staff or students or the other responsibilities of the University;
- the stated objective will be achieved, and the findings will have a high degree of validity;
- limitations and alternative interpretations will be considered;
- the findings could be subject to peer review and publicly available; and
- I will comply with the conventions of copyright and avoid any practice that would constitute plagiarism.

APPLICATION BY	Full name	Signature	Date
Principal Researcher/ Student/External applicant	KAREN MAPIYE	Signed by candidate	19/05/2021

SUPPORTED BY	Full name	Date
Supervisor (where applicable)		4/05/21

APPROVED BY	Full name	Signature	Date
HOD (or delegated nominee) Final authority for all applicants who have answered NO to all questions in Section 1; and for all Undergraduate research (Including Honours).	**Dr. Frank K. Ametefe**		**11/06/2021**
Chair: Faculty EIR Committee For applicants other than undergraduate students who have answered YES to any of the questions in Section 1.	**Dr. Frank K. Ametefe**		**11/06/2021**

ANNEXURE 5

UNIVERSITY OF CAPE TOWN
IYUNIVESITHI YASEKAPA • UNIVERSITEIT VAN KAAPSTAD

CONSENT FORM

Consent to Participate in Research

Research Topic: *Inner City Housing: An Exploration of Alternative Approaches for City Regeneration Through the 'Housing Inclusivity Lens'*

Dear Potential Participant,

You are cordially invited to partake in a research study conducted by Karen Mapiye, an MSc student at the University of Cape Town. This research is being supervised by Doctor Cecil Madell, a senior lecturer at the University of Cape Town. The results of this study will be presented to the Department of Construction Economics and Management in fulfilment of the requirements for the Master's degree in Property Studies.

Should there be any questions or concerns relating to the research, please feel free to contact myself, Karen Mapiye on mpykar001@myuct.ac.za. The research supervisor, Dr Cecil Madell can be reached on cecil.madell@uct.ac.za.

Research Purpose

The aim of this research is to understand the underlying causes of unaffordability in the inner-city housing of South Africa, particularly in Cape Town, and the roles of the public and private sectors regarding the problem and solution. The research also aims to find solutions to affordable inner housing provision without the side effect of gentrification. This study purports to aid in finding a resolve for apartheid spatial planning whilst building a broad understanding to the key issues around gentrification, inclusivity and the 'right to the city' in the South African context. Finally, the study will identify alternative approaches for more inclusive inner-city housing developments.

Participation

Please understand that your participation in this research is voluntary. If you volunteer to participate in the study, you will be consulted to agree on a time and preferred method and interface, between a face-face interview, or over Microsoft Teams or Zoom. Pre-stablished probing as well as emergent questions will be asked that will consequently be used to supplement the data collection and analysis of the research. The participant is welcome to request the research findings.

Expectations from participations

I will be asking questions regarding your profession, project experience, involvement, and opinions regarding affordable housing. The interview should take 30 – 45minutes. There is no financial obligation from the project or you as the participant. Therefore, there is no payment/reimbursement available. With your permission, the interview will be recorded, however if you do not agree that is still acceptable. Your consent will be required to refer to this recording and any notes I may have taken for academic purposes including my project, academic conferences and possibly journal publications.

Benefits to participants

No indirect or indirect harm

Risk of harm to participants

No foreseen or unforeseen risks

Sharing and use of data

Data generated from the interview will be synthesised and used to answer the research questions set for this master's project, presented in conferences, and may be published in journals.

Confidentiality

All efforts will be made to ensure that the research participants information is safeguarded. The participants are welcome to allow or disallow disclosure of their identity or firm's identity through the signing of the *Understanding of Terms and Conditions* section below. The information gathered in the interview will be used exclusively for the purposes of the research.

Rights of Participants

The participants reserve the right to refuse to answer questions they are uncomfortable with. The participants may choose to withdraw from the study at any point or revoke their consent without consequence. This study complies with the University of Cape Town Engineering and Built Environment Ethics in Research Committee's policy.

Understanding of Terms and Conditions

I …… , have read the information provided for the research as provided herein. My concerns have been answered to my satisfaction and I agree to participate in this study. I consent/ do not consent to use of my name, designation, or company name in this research.

Signed: ……..

Full Name: ……..

Company: ……..

Date: / /

UNIVERSITY OF CAPE TOWN
IYUNIVESITHI YASEKAPA • UNIVERSITEIT VAN KAAPSTAD

Consent form for recording of interview – to accompany information sheet given to participant

Inner City Housing: An Exploration of Alternative Approaches for City Regeneration Through the 'Housing Inclusivity Lens'

KAREN MAPIYE

Master of Science in Property Studies

University of Cape Town

I ..... , confirm the following:

1.	I have read the information sheet provided by the researcher and thus understand the projects aims and objectives.	
2.	I am participating in this project voluntarily and understand that I may withdraw from the interview at any time if I so do wish.	
3.	I acknowledge and understand that confidentiality will be maintained.	
4.	I have been asked permission to record this interview and have given my permission.	
5.	I understand that this data is accessible to other researchers only if they honour the confidentiality agreement.	

Participant

Date ……

Signature of participant ……

Name of participant ……

Organisation of participant……

Researcher:

Name: …….

Signature: ……

Date: ……