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HOW DO WE REALLY MAKE HOUSING AFFORDABLE IN THE WESTERN CAPE?

Opinion Editorial by Deon van Zyl, Chairperson, WCPDF

On the back of increased municipal rates and taxes, Cape Town residents are struggling with housing affordability. Where, in the past, lack of affordability was solely the challenge of lower income groups, increasingly even the middle class can also no longer afford property prices.

In response, some commentators are calling for price controls and land-value taxation to cross-subsidise housing. Others argue that short-term rentals are reducing available housing stock. Still others blame rising operational costs - particularly higher municipal rates and taxes - and point to an increasingly bloated public administration as the root cause.

But housing affordability is not unique to Cape Town; price escalations in surrounding towns such as Stellenbosch, Paarl and even as far afield as George and Mossel Bay confirm that affordability is a broader regional challenge, driven by both demand and supply challenges.

The healthy market demand is in turn driven by several factors. The Western Cape, and Cape Town specifically, is an internationally-recognised destination: a nice place to live. It's a good address for international companies needing a presence in Africa (think Amazon). It has a uniquely natural beauty. It's regional and local government networks seem to be working exceptionally better than in the rest of the country. And, measured on an international scale, the Cape is affordable when compared to other international addresses. Plus, with the message of good governance and a better life, comes the message of potential employment opportunities, leading to mass semigration across all levels of income.

Yet, on the supply side, notwithstanding the perception of good governance, there are several challenges, primarily driven by red tape and associated costs.

Many would agree that the Western Cape is exceptionally good at crossing every "T" and dotting every "I" when it comes to statutory approvals for new development. This creates the perception that the governing culture is one of: "It's easier to say no than to say yes".

With public sector salaries and job security often exceeding those in the private sector, bureaucrats are frequently criticised for lack of urgency in delivery, prioritising clean audits over implementation. However, since clean audits seem to be the political differentiator celebrated by political leadership, can one blame the bureaucrats for the political culture of clean audit above delivery? Red tape is a real challenge in the Cape: the cost of time is directly reflected in the cost of housing.

Lack of land availability is internationally recognised as a cost driver, and supports the profitability of land speculation. Historically, this lack was addressed through greenfield expansion.

Municipalities now argue for densification, since outward expansion brings additional municipal operational cost implications. Changes in technology and resultant cost reductions, specifically in private electricity generation and water treatment, challenges this argument to some extent, but one must also remember that these advances cause municipalities to lose their monopoly on utility provision.

The obvious solution to land availability is to start with releasing state-owned land, followed by a critical review of why densification does not naturally occur on privately-owned land.

Although the City of Cape Town has made progress in releasing surplus land, ensuring that it is ultimately used for affordable housing remains difficult. One of the biggest obstacles is political resistance from existing voters who prefer to preserve the status quo. Despite its liberal reputation, the Cape is far more conservative than most would care to admit.

The naysayers are many, often hiding behind heritage and environmental arguments. The fact that greenfield developments remain cheaper than brownfield projects - which recycle existing urban land and buildings - speaks volumes. Limited access to recycled land and uncertainty around development rights continue to drive costs higher.

Then there is the “bricks and mortar” costs of construction in the Cape, because very few building materials are produced in the province and thus the cost of building is determined on an import parity basis. Materials delivered at scale in Gauteng are broken into smaller quantities for Cape projects, with transport costs and markups added along the way. As a result, building costs in the Cape are significantly higher than in many other parts of the country. Higher labour costs, stricter site controls and rising building material dumping costs increase expenses further, while recent fuel costs drive import parity even further.

The only way to counter the regional building cost differentiator is to produce building materials locally. But for this, we need production capacity, new approved industrial areas and buildings, and a predicable market and statuary approval process. Current conditions, irrespective of demand factors, do not support new investment in construction material production.

We therefore need to reduce the cost of time by making statutory approval processes shorter and predictable. And we need access to land, development finance and implementation expertise.

Housing activists often search for the silver bullet to address housing affordability, but none exist. Instead, affordability requires a multitude of strategies including:

- A land availability strategy

- A statuary rights strategy
- A strategy to co-opt in NIMBYs (Not In My Back Yard) activists
- A services availability strategy
- A finance strategy – both development and end-user strategy
- A building costs management strategy
- A production strategy that co-opts private sector implementation skills and expertise
- A strategy to transform informal housing into formal housing – turning squatter camps into bricks and mortar suburbs
- A payment strategy to convince housing beneficiaries to pay for housing, rates and taxes.

What we don't need is an emotive short-term thinking culture that naively believes that addressing short-term rentals or land-value capture will magically solve housing affordability.

DEON VAN ZYL
WCPDF CHAIRPERSON

MORE ABOUT THE WESTERN CAPE PROPERTY DEVELOPMENT FORUM (WCPDF

About the Western Cape Property Development Forum (WCPDF) Founded in 2008, the Western Cape Property Development Forum (WCPDF) is a registered non-profit, membership-based organisation (246-760 NPO).

OUR VISION *is to create awareness, address the challenges that face the property development and construction industry and to be the collective voice of that industry in the Western Cape. We focus on the full production line of private and public property projects and associated infrastructure provision.*

OUR MISSION *is to actively engage and lobby politicians and government representatives and provide detailed input, guidance and feedback on draft legislation and policy. We make the public sector aware of the ramifications that decision-making processes and service delivery have on property development and construction and, in turn, the economy and most importantly jobs. And while the industry is always impacted by national legislation, the most critical development issues tend to occur at ground level, and therefore our emphasis is regional. Property is produced at municipal level.*

Our key focus areas:

- *To be a representative body for the property development and construction industry in the Western Cape that is recognised by relevant authorities, especially in terms of the vital role that the industry plays in the province's economy through investment and job creation.*
- *To promote the interests of the property development and construction industry.*
- *To interpret and facilitate understanding between the authorities and the industry.*
- *To inform our membership of changes in legislation and policies.*
- *To create a public profile and understanding of our industry towards making the greater Western Cape sensitive to the need for property development.*

- *To actively engage in the education and transformation of our industry.*

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Please note: the next Annual Conference of the WCPDF will be held from 24-25 June, at the CTICC in Cape Town. For more information, please visit: www.wcpdfconference.org.za