

6. BENEFICIARIES: 107 SERVICED SITES, HAWSTON: ADDITIONAL LIST (REPLACEMENTS)

17/5/4/1

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Manager: Housing Administration

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1. Executive Summary

This report is to inform the Executive Mayor of an additional list of potential beneficiaries (replacements) for the 107 affordable serviced sites, Hawston in terms of the Finance Linked Individual Subsidy Programme (FLISP) for purpose of the submission of aforementioned names to the Department of Human Settlements for consideration and subsidy approvals.

2. Service Delivery and Budget Implementation Plan - IGNITE

Community Services
Housing Administration

3. Compliance with Strategic Priorities

Provision of democratic, accountable and ethical governance
Provision and maintenance of municipal services
Creation and maintenance of a safe and healthy environment

4. Delegated Authority

None

5. Legal Requirements

Constitution of the Republic of South Africa, 1996
Housing Act 107 of 1997
The National Housing Code, 2009

6. Background/Discussion/Evaluation/Conclusion**Background**

The following reports that served respectively before the Executive Mayor refers:

- *Beneficiaries: Breaking New Ground Housing Project, Hawston, November 2017*
- *Affordable Housing: 107 serviced sites, Hawston, August 2019.*

It was found that a number of 8 (eight) potential beneficiaries that formed part of the Breaking New Ground Housing Project, Hawston did not submit their correct household income (which exceeded R3500,00 respectively) and they were subsequently withdrawn from the project on request of the Department Housing Administration. It was agreed with the Local Ward Councillor and the rest of the Social Compact that the mentioned potential beneficiaries be placed on the replacement/reserve list for the 107 serviced sites, Hawston.

The National Government introduced the Finance Linked Individual Subsidy Programme (FLISP) in November 2011. The programme was thereafter amended in April 2012 as set out in the policy for FLISP. An overview of FLISP as set out in the policy is as follows:

One of the objectives of the Government's housing programme is to provide assistance to households who are unable to independently access mortgage finance to acquire a residential property. Typically, these households earn too little to qualify for mortgage finance on the one hand and on the other their monthly income exceeds the maximum income limit applicable to Government's "free basic house" Housing Subsidy Scheme. The particular market segment is generally referred to as the "affordable" or the "gap market".

Hence, the Finance Linked Individual Subsidy Programme (FLISP) provides a subsidy to qualifying beneficiaries who have secured mortgage finance to acquire an existing house or a vacant residential serviced stand linked to a house construction contract. The objective of the Programme is to reduce the initial mortgage loan amount to render the monthly loan repayment instalments affordable over the loan repayment term and/or to make good any shortfall between the qualifying loan amount and the total product price subject to the conditions of the Programme.

Income Categories:

The FLISP provides for a subsidy opportunity to applicants with household income between R3,501 - R22,000 per month, as amended by Human Settlements: MINMEC on 28 July 2018 and communicated by the National Department of Human Settlements on 5 October 2018 (*Refer to Annexure A*). Those households in the income group R3,501 - R7,000 per month may apply for a serviced site developed as part of the Integrated Residential Development Programme (IRDP), without any charges as a once off subsidy according to the July 2018 amendment of FLISP, "*Province will be allowed to construct houses for the FLISP subsidy beneficiaries*". The Directorate: Infrastructure and Planning will obtain clarity on the matter from Province and also report to Council.

The households in the income group of R7,001 - R22,000 must firstly obtain approval:

- for a mortgage bond from an accredited financial institution, where after an application for subsidy can be submitted. or
- non-mortgage funding options, namely short-term loan facility, short term loans and savings linked schemes, including pension/Provided Fund Backed Loans and Government Employees Housing Subsidy Scheme (GEHS).

The 2018 amendment of FLISP also provides for a “Deed of Sale transaction” option, whereby a written agreement can be entered into, in order to purchase a residential property in monthly instalments over an agreed period. The particular option is however in contradiction with Section 164(i)(c)(iii) of the Municipal Finance Management Act no. 53 of

2005 (MFMA), whereby a municipality is not allowed to grant a loan to members of the public.

It was determined from the Department of Human Settlements: Western Cape that consideration can be given for participation in serviced sites project by applicants on the Western Cape Housing Demand Database (WCHDDDB) exceeding the threshold for FLISP to the amount of R22,000 (monthly gross household income) (*Refer to Annexure B*).

The particular applicants must be assisted by purchasing an erf at a market related price to be determined by a service provider. The affected applications must however comply with the qualifying criteria set out in this report.

Subsidy Quantum:

In July 2018 the FLISP subsidy quantum has been revised with a minimum subsidy of R27,960 and a maximum subsidy of R121,626 (*Refer to Annexure A*). In terms of the policy amendments in 2014 the prescribed maximum property value to the amount of R300,000 has also been removed.

Exemption of FLISP for Provisions of Section 10A and 10B of Housing Act:

It was also agreed that the sales restriction provisions under Section 10 of the Housing Act, 1997 (Act No. 107 of 1997) hampers the successful implementation of FLISP and should not be applied on all properties acquired through a FLISP. However, it was confirmed that the provisions under section 10(B)5 provides an alternative relief and must be applied retrospectively whilst the matter is addressed by means of an amendment to the Housing Act, 1997.

The mentioned sections as per the Housing Amendment Act, 2001 provides for a pre-emptive right for a period of eight years to be registered

against the particular property developed with government subsidy in favour of the relevant Provincial Department of Human Settlements. Section 10B(5) of the Housing Amendment Act, 2001 states that, *“An MEC may grant exemption from the provisions of subsection (1), either conditionally or unconditionally, in respect of any dwelling or site to which the provisions of that subsection apply”*.

In order to ensure that a proper and effective subsidy application process is implemented and executed, the Municipal Administration posed questions of clarity to the Director: Project and Subsidy Administration, Western Cape: Department of Human Settlements.

107 Serviced Sites, Hawston

The 107 serviced sites, Hawston was approved as part of an Integrated Residential Development Programme (IRDP) project in April 2017.

Discussion

Qualifying Criteria:

In order to qualify for a FLISP subsidy, all the applicants must comply with the following:

- (a) is a lawful resident in South Africa (i.e. citizen of the Republic of South Africa or in possession of a permanent residence permit. Certified copies of the relevant documents must be submitted with the application;
- (b) legally competent to contract (i.e over 18 years of age or older or legally married/divorced and of sound mind);
- (c) has not yet benefited from government assistance. Neither the person nor his/her spouse has previously derived benefits from the housing subsidy scheme which conferred benefits of ownership, leasehold or deed of grant or the right to convert the title obtained to either ownership, leasehold or deed of grant;
- (d) must not have owned fixed property. Current residential property owners will not qualify for a FLISP subsidy. This requirement does not apply to a qualifying beneficiary who only owns a vacant stand acquired through his/her own resources and wishes to make use of a FLISP subsidy to construct a top structure on the same site;
- (e) must be married or cohabiting. He/she is married in terms of Civil Law or Customary Marriage or habitually cohabits with any other person. It is required that the property be registered in the names of both spouses in the Deeds Office;

- (f) must be single with financial dependants. If not married he/she must have proven financial dependants. A financial dependant refers to any person who is financially dependent on the subsidy applicant and who permanently resides with the housing subsidy applicant; and
- (g) monthly household income. The gross monthly household income must be within the range as depicted in the adjustments to the finance linked individual subsidy programme.

Provincial Circular 10/2015:

The households income category R3,501 - R7,000 must also comply with the criteria per Provincial Circular 10/2015, as amended, namely:

An applicant must be registered on the Western Cape Housing Demand Database for a minimum period of three (3) years.

The selection of potential beneficiaries will be done in the following order:

- *selection according to the registration date of the households;*
- *selection of households containing an adult member of 60 years and older (quota 15%);*
- *selection of households who are affected by disabilities (quota 5%);*
- *selection of households according to registration as a farmworker (quota 5%).*

Relevant definitions:

Farm residents: A person whose ordinary residence is a farm, including a farm worker with ordinary residence on the farm.

The following characteristics apply to households affected by permanent disability:

A household with at least:

- one adult member (in the core household) having a permanent disability or;
- a financial dependant with a permanent disability.

Priority Rating Criteria:

In all household categories the following rating criteria will apply namely:

- (i) That potential beneficiaries be considered for an affordable erf in order from the earliest date to the latest date of application for housing (as per the application form);

All potential beneficiaries in the household income category R3,501 - R7,000 must furthermore be prioritised in terms of the following with reference to Circular C10/2015, namely:

- (ii) That a applicant is registered on the Western Cape Housing Demand Database for a minimum period of three (3) years;
- (iii) Preference is given to the aged (60 years and older), permanently disabled and farmworkers;
- (iv) Application of age-based criteria in accordance with the following categories, namely:
 - (a) potential beneficiaries \pm 40 years of age and older;
 - (b) potential beneficiaries 35-39 years of age; and
 - (c) potential beneficiaries 30-34 years of age.

An application will be lodged to the Department of Human Settlements, Western Cape by the Administration to accommodate potential beneficiaries younger than 30 years old, resident in the affected catchment area (local neighbourhood/town), if more potential beneficiaries must be considered.

Additional Priority Rating Criteria:

It is recommended to Council that the applicants on the WCHDDB for Hawston, who physically reside in Hawston be given preference to participate in the FLISP project before opportunity is given to applicants on the WCHDDB for the broader Overstrand Municipal area.

Subsidy application procedure:

The potential beneficiaries with household income of R3,501 - R7,000 apply for subsidy as per normal BNG subsidy application process. The FLISP subsidy applicants with a household income of R7,0001 - R22,000 firstly obtain approval for a mortgage bond/non-mortgage loan thereafter submit the subsidy application directly to the National Housing Finance Corporation (NHFC) or to be appointed National Implementing agent (*Refer to Annexure A*). A final directive is to be provided by Department of Human Settlements: Western Cape.

The own contribution requirement has been waived. This means that the FLISP does not require beneficiaries to make financial contributions. FLISP can be used to meet any deposit requirements of the Bank.

Sale of Properties:

The beneficiary may not sell or otherwise alienate his property for a period (currently eight years) prescribed by the Housing Act, 1997 from the date of

transfer into his/her name, prior to offering the property to the Provincial Government.

Transfer of properties:

The costs, expenses and charges to be incurred in the transfer of the property (the legal fees), including the registration of a mortgage bond must be financed by the beneficiary, except for beneficiaries with household incomes between R3,501 - R7,000.

107 Serviced Sites, Hawston: Potential Beneficiaries:

The following potential beneficiaries residing in Hawston were identified from WCHDDB for Overstrand Municipality.

TABLE 1: POTENTIAL BENEFICIARIES: 107 SERVICED SITES, HAWSTON:

DESCRIPTION	R3,501 - R7,000				R7,001 - R22,000	ABOVE R22,000	TOTAL
	Disabled (5%)	Aged (15%)	Farm Workers (5%)	Other			
Potential Beneficiaries (August 2019)	5	16	5	13	64	4	107
Possible Replacements (50%): (August 2019)	0	0	0	21	25	0	46
Additional possible replacements: July 2021	0	0	0	5	3	0	8
TOTAL	5	16	5	39	92	4	161

NOTE: The list of Potential Beneficiaries is attached per *Annexure A*.

Administrative Process:

The following administrative process to be implemented, namely:

- (i) pre-screening of potential beneficiaries registered on WCHDDB that applied for housing opportunity in community where stands are developed;
- (ii) erf prices (including market related prices where/when necessary), to be provided by the Department Housing Planning, Directorate: Infrastructure and Planning;

- (iii) submission of list to the Executive Mayor;
- (iv) inform potential beneficiaries of their participation in the projects in order to obtain pre-approval for approval for a mortgage bond/non-mortgage funding/proof of non-approval for financial assistance;
- (v) provisional allocation of the actual erf numbers in random order;
- (vi) submission of list of potential beneficiaries to the Provincial Department of Human Settlements for notification and service provider for completion of subsidy applications in respect of household income group R3,501 - R7,000;
- (vii) completion and submission of subsidy applications for potential beneficiaries with household incomes between R3,501 and R7,000, from the lowest to the highest number;
- (viii) assisting potential beneficiaries with completion of subsidy applications with household incomes between R7,001 and R22,000 after proof has been provided of an approved mortgage bond, non-mortgage loan, in line with priority rating of potential beneficiaries;
- (ix) sign deed of sale with approved subsidy holder (Household Income between R3,501 - R7,000);
- (x) provide occupation to approved beneficiaries;
- (xi) monitor and assist to effect transfer of affordable stands to beneficiaries, who do not have a loan/mortgage bond;

7. Financial Implications

The disposal of erven will have to be accounted for at the selling price.

8. Staff Implications

None

9. Comments from other Departments, Divisions and Administrations

Manager: Property Administration: Anja Le Roux

Chapter 2 of the Municipal Asset Transfer Regulations, 2008, (Regulations to the Municipal Finance Management Act, no. 56 of 2003) deals with the transfer or permanent disposal of non-exempted capital assets (the latter including land and buildings) and stipulates the processes to be followed. However, regulation 4(3)(b) clearly stipulates that the procedures for the transfer or disposal of non-exempted capital assets as stipulated in the said

chapter are “*not applicable to the transfer of housing on municipal land and the transfer of municipal land for the poor to beneficiaries of such housing*”. This means that where Housing legislation and criteria are applicable to the transfer of the property, it is not necessary to follow a competitive process.

Senior Manager: Engineering Services: Mr D Hendriks:

Available Sites:

There are 107 serviced erven available in the Hawston IRDP Project. The erf sizes varies between approximately 120m² to 160m². The 107 erven in Hawston were registered on the housing pipeline as FLISP Units and was subsequently changed to 107 serviced sites on the current updated housing pipeline.

National Home Builders Registration Council (NHBRC):

Each potential beneficiary must appoint a registered builder for the construction of their house.

Building plans:

The Administration will make available three building plan options for potential beneficiaries.

Wetcores:

An application has been launched with the Provincial Human Settlement Department for the provision of a wetcore which consist of a toilet and wash basin.

Erf Prices:

The erf prices to be finalised and presented to Council in a separate report.

10. Annexures

Annexure A: List of additional potential Beneficiaries

RECOMMENDATION TO THE COUNCIL:

1. that given the support by the Minister of Human Settlements: Western Cape and the letter of support by the DOHS, potential beneficiaries exceeding the threshold for FLISP to the amount of R22,000 monthly gross household income be approved to participate in the project under FLISP, subject to the qualifying criteria for FLISP (excluding income threshold) and Western Cape Provincial Circular 10/2015;
2. that approval be granted to potential beneficiaries exceeding the threshold for FLISP to the amount of R22,000 monthly gross house hold income, to purchase serviced sites from the Municipality subject to:
 - (a) the site being sold at a market-related price in accordance with the municipal statutory requirements; and
 - (b) the candidate being informed that he/she will therefore not be receiving any FLISP subsidy assistance from the Department.
3. that the applicants on the Western Cape Housing Demand Database for Hawston, who physically reside in Hawston be given preference to participate in the FLISP project before opportunity is given to applicants on the Western Cape Housing Demand Database for the broader Overstrand Municipal area;
4. that the additional list (replacements) of 8 (eight) potential beneficiaries (replacements) be noted;
5. that, after pre-approval letters for potential beneficiaries referred to in recommendation 4 above with regard to mortgage/non-mortgage funding (income category R7,001 - R22,000) and non-approval letters (income category R3,501 - R7,000) were provided, the respective subsidy applications for the final list of potential beneficiaries be processed;
6. that the following procedure for potential beneficiaries to finalise subsidy applications, be approved:
 - (a) that potential beneficiaries be given 30 days written notice to obtain letters for approval of mortgage/non-mortgage bonds/non approval letters as set out in recommendation 5 above;
 - (b) that potential beneficiaries be given 30 days written notice to complete their subsidy application documentation; and
 - (c) that potential beneficiaries that do not respond to the first notice (30 days) be given a final written notice of 7 days.
7. that, in the event of any applicants not responding within the mentioned period of 7 days, the available housing opportunities be given to identified additional beneficiaries (replacements).

AGENDA OF A SPECIAL MAYORAL COMMITTEE MEETING 28 JULY 2021**RESPONSIBLE OFFICIAL:****FW FRANS****TARGET DATE FOR IMPLEMENTATION:****IN PROGRESS**

OVERSTRAND MUNICIPALITY

HAWSTON: 107 PLOTS FOR FLISP

30 June 2021

REPLACEMENTS: Age group above 40 years									
No	RegNo	AppDate	AppSurname	AppFirstName	PartSurname	PartFirstName	SuburbName	Income Group	
1	602322	2002-08-02	JOHNSON	WARRAN HILMER	ARMSTRONG	CARMEN EMERENCIA	HAWSTON	R7001 - R22000	
2	599112	2004-11-04	LUTZ	ADRIE BIANCA			HAWSTON	R3501 - R7000	
3	594793	2007-06-19	SAMUEL	TERRI LEIGH WILLIS			HAWSTON	R7001 - R22000	
4	597116	2010-05-15	MANUEL	FRANSINA MAGDALENE			HAWSTON	R3501 - R7000	
5	667125	2017-08-03	BROWN	NIGEL	BROWN	DELLKAY	HAWSTON	R3501 - R7000	

REPLACEMENTS: Age group above 35-39 years									
No	RegNo	AppDate	AppSurname	AppFirstName	PartSurname	PartFirstName	SuburbName	Income Group	
1	5974417	2006-04-08	FISHER	JO-ANN ALESTINE			HAWSTON	R3501 - R7000	
2	665322	2010-09-02	MANUEL	DANIAN DAVID	LAVERLOT	ANNIQUE EBRUNISE	HAWSTON	R3501 - R7000	
3	598676	2010-09-22	ARENDSE	LEONA			HAWSTON	R3501 - R7000	