



TOWARDS A VISION OF THE URBAN LAND SECTOR IN SOUTH AFRICA BY 2020:

INTERVENTIONS AND FUTURE SCENARIO

Perspectives from the ULM
Workshop May 2007

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Urban LandMark

MAKING URBAN LAND MARKETS WORK FOR THE POOR

June 2007

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1 Introduction

Urban LandMark is undertaking a process to develop a vision of the urban land sector in 2020. This vision will inform its own operations but, just as importantly, is intended to serve the various stakeholders operating in the urban land sector going forward.

As part of the process of formulating the vision, Urban LandMark held a **visioning workshop with key thinkers** on the 10 May 2007 to identify trends in the sector associated with the urban land sector and how they are likely to change over time. Despite inviting a wide range of stakeholders from different sectors, the workshop was attended primarily by stakeholders from the NGO/CBO sector, as well as some property economists from the academic sector (see workshop participants Annexure A). Accordingly, Urban LandMark decided to draft two documents emanating out of the discussions held at the workshop:

- A document that set out the current status of the land sector in South Africa and a vision based on an extension of the current status quo; and
- A document setting out the interventions proposed by the participants at the workshop and the future scenario emanating as a result of these interventions.

It is now intended that the first document will be used as a basis for testing the analysis of the current status, as well as the vision based on the current status quo. It will also be used as a basis for incorporating a wider set of perspectives and other stakeholders, including government and the private sector, in a series of roundtable discussions which ULM intends to hold. These sessions will also be used to identify perspectives on interventions and the resultant future scenario for the urban land sector in 2020.

On the basis of the first workshop and the subsequent roundtables, Urban LandMark will develop a position to guide its own actions as well as advocacy with and to different stakeholders. This position will highlight points of consensus and identify main areas of difference amongst stakeholders. ULM will communicate this position in its dissemination and advocacy activities.

This report sets out the interventions and future scenario as envisaged by the participants in the first workshop, and includes the following:

- Proposed interventions;
- Future scenario; and
- Implications.

2 Proposed Interventions

The interventions proposed by participants in the first workshop are categorised into the following four themes:

- Public investment to open up the city to the poor;
- Direct support to the poor;
- Improving the access frontiers; and

- Urban management.

The interventions proposed in respect of each of these themes are outlined below.

2.1 Public Investment to Open Up the City to the Poor

In order to open up the city to the poor it is proposed that the following interventions are undertaken:

- **Improve access to social amenities:** Public transportation should become cheaper and more effective so as to allow better access to social facilities no matter where these are located or where people live.
- **Restructuring of the land value process:** A fundamental restructuring of the land value process should be undertaken so as to widen the access frontier. There should be a fundamental change to the structure of how land is organised including finance arrangements and land allocations where people are empowered to build themselves. A range of viable pathways for the poor to access affordable housing incrementally should be developed, including shared ownership and increased incentives to the private sector to provide such accommodation.
- **Investment in marginalized areas:** There should be focused private and public sector investment in places that are currently marginalized (for example, townships) so as to enhance the locational benefits of these areas. Such areas should become economic centres in their own right, so that they become growth poles.
- **Focused State provision:** Focused State provision should occur for those households that are below the access frontier. The State should therefore focus its activities on those households not likely to be serviced by the market. The aim of this will be to reduce polarisation. This implies that the distributional benefits of land and market access are structured in a very different way and include, for example, infrastructure provision in areas where density requires it, a fundamental revision to tenure that recognises more informal forms, skills development, technology processes that are appropriately designed etc.
- **A derivatives mechanism:** A derivatives mechanism should be developed that enhances the ability of the poor to access land tenure and create wealth through the growth in the value of urban property.

2.2 Direct Support to the Poor

The following are proposed as interventions to directly support the poor:

- **Formalisation of informal settlements:** Informal settlements should, wherever possible, be planned and formalised. Formalisation should include proclamation, provision of services and social amenities. People should be empowered to build their own houses (people's housing process). Transportation should be provided to increase access to economic opportunities.

- **Active promotion of informal economic activity:** Informal economic activity should be promoted. Regulatory control should be reduced and active promotion undertaken including training, finances, access to communication and business support facilities.
- **Subsidised public rental:** Subsidised public rental accommodation should be made available at scale in prime locations. Such accommodation should provide improved spatial access for the poor to the full range of urban amenities and opportunities.
- **Revised Housing Subsidy:** There should be an increase in the subsidy allocation and a change in the strategy where the homeless are more empowered to access or provide housing themselves (demand-driven).

2.3 Improving the Access Frontiers

The following is proposed to improve the access frontiers:

- **Release of private and state land to the poor:** A significant portion of good quality urban land should be assembled and provided to the poor. This should include state land and private land where the owner is incentivised to make it available or the land is expropriated.
- **Revised Housing Subsidy:** As detailed above, there should be an increase in the subsidy allocation and a change in the strategy where the homeless are more empowered to access or provide housing themselves (demand-driven).

2.4 Urban Management

The following is proposed in respect of urban management:

- **Bold State regulation and tax of the rich:** The State should guide the top end of the market so as to limit the external costs of rich exclusiveness on the general market. The State should implement bold interventions in respect of regulation, tax and urban management. The State should undertake interventions that seek to change the attitude of wealthy land owners towards integration, so that they act in a more socially responsible manner.
- **Encourage participation of the poor in city processes:** The decision-making process in urban areas should encourage increased participation by the poor.
- **Well structured, well informed urban management systems:** Urban management systems should be simplified so that informal transactions can be brought into the formal land transfer process. For example, this could include using computerised linkages located within service centres in low income areas.

3 Future Scenario

This section sets out a scenario for the urban land sector by 2020 should the above interventions be implemented.

The current pattern in terms of inequality and racial and wealth polarisation as it has manifested spatially in the apartheid city will start to be eroded. Polarisation of the very rich and very poor will be reduced as the access frontier for poor people is widened. The “Black” middle-class will increase significantly. Access to urban amenity and wealth will become available for the majority of the poor.

The poor will have improved access to economic opportunities through:

- **Increased access to work opportunities in the “first economy”** as a result of access to well located land and cheap transportation that allows easier access to places of work opportunities; and
- **an improved ability to earn an income within the “second” economy** as a result of reduced regulatory controls on informal economic activity and improved access to training, finances, information and business support.

Channels between the first and second economy will be increased as a result of increasing recognition and support of the “second” economy. The living conditions for the very poor will improve significantly through informal settlement upgrading programmes, a revised subsidy programme that provides more and easier access to home ownership and a greater availability of subsidised rental accommodation. In addition, cheap transportation will allow households better access to social facilities and urban amenities.

Poor households who own a house will have an increased ability to generate wealth from this housing asset as a result of a revised urban management system, which will make trading a housing asset easier, and a greater availability of finance. In addition, opportunities for trading up will have been created so that households are able to move up “the housing ladder”. Investment in marginalized areas will mean an increase in the value of properties in these areas.

Poor households will no longer need to use multi-nodal strategies in order to survive. Accordingly, households will become less fragmented. Such households will no longer be locked into a particular house and area or to a property on tribal land.

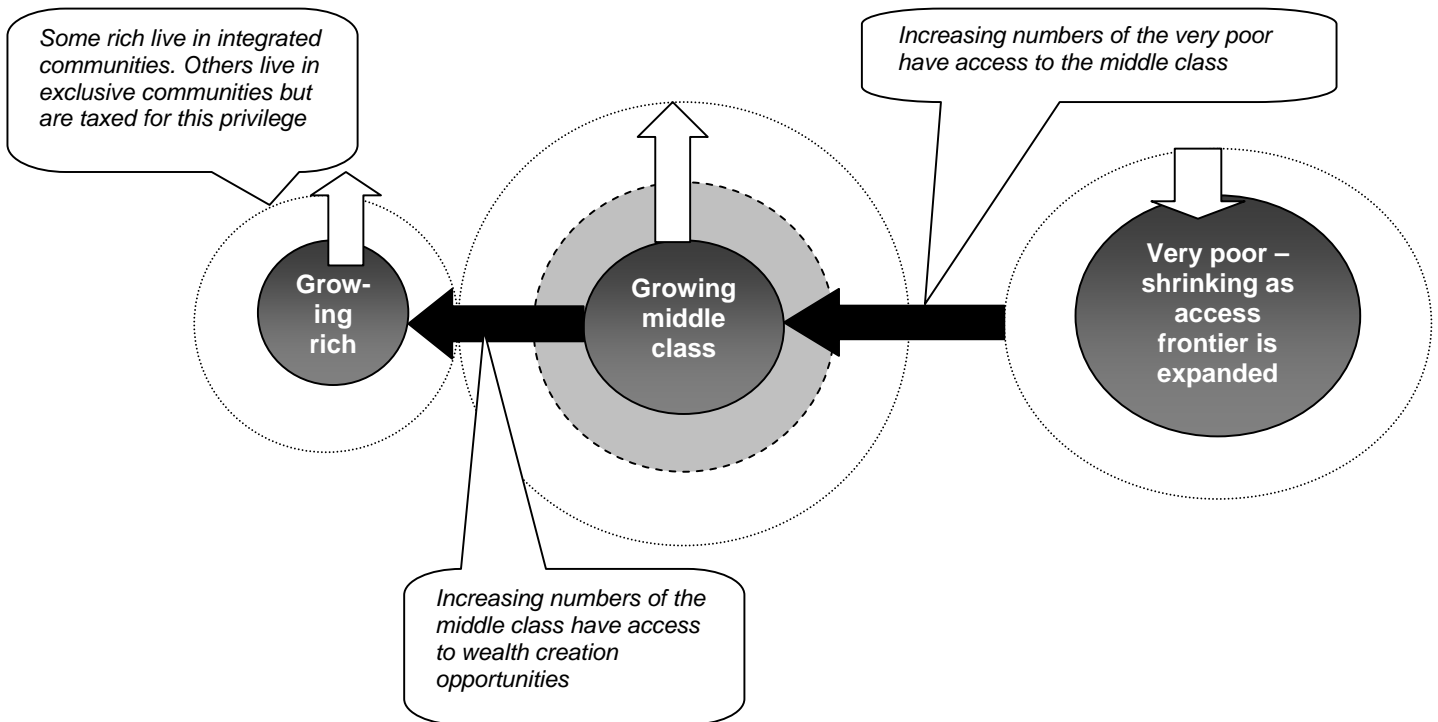
The number of rich individuals will expand and will become more racially diverse. Some of the rich will live in integrated areas. Others may choose to live in closed and gated communities. However, there will be additional costs to be paid for this privilege in the form of taxes. Privatisation of services will increase, including for example private health, education, security, municipal services etc. This will be in response to the perceived threat of crime and the need to protect property values. The rich will no longer be able to stop the development of housing for poor households in close proximity to their properties.

The emerging nodal pattern of commercial and retail investment will continue. However, such nodes will be open and accessible to all and will improve access to work and urban amenities for both the poor and the rich. Urban management will improve. The regulatory system will become more effective and will be easier and more cost-effective to use. There will be less informality. Rights will continue to be protected. Unplanned development and informal transactions will decrease.

Two decades of under-investment in infrastructure will have consequences on different areas and the economy. However, the current plan to improve infrastructure will offset this problem over time and will be implemented in such a manner that supports the development of new housing. The poor will feel supported by government.

The diagram below provides a summary of the scenario for the land sector by 2020.

Diagram 1: Land sector scenario for South Africa by 2020 if recommendations are implemented



4 Implications

The implications of the scenario set out above in respect of key variables relevant to Urban LandMark are outlined in the table below.

Table 1: Implications of proposed scenario for Urban LandMark

Inputs:	
Investment by the poor	The poor will increasingly invest despite socio-economic restrictions. The poor will be able to sell their properties and will have more opportunities to purchase properties.
Investment by the state	A significant investment will be required by the State in respect of increasing the amount of funds allocated for housing subsidies, cheaper public transportation, infrastructure development and increasing and improving the capacity of local and provincial governments.
Investment by the private sector	The private sector will be encouraged to invest in residential, commercial and industrial developments that service poorer communities as a result of tax and other incentives.

Management by the poor	The poor will be empowered to participate in processes that enable their perspectives and interests to be enunciated and incorporated in policy, strategy and plans.
Management by the private sector	Private sector investors in developments which service the poor will actively manage such developments so as to ensure that developments remain effective and service the target market.
Management by the state	Public sector urban management will place increasing emphasis on accommodating informal processes effectively and sensitively. In addition, efforts will be made by the state to manage conflicting interests between the poor (including informal activities) and investors where these exist.
Changes to the regulatory and statutory environment	Significant changes to the regulatory and statutory environment will be required, including a revision of land management regulations and the housing subsidy.
Outputs:	
Tenure security	Tenure security will increase for the poor and will provide adequate and equitable rights.
Access to land and urban amenities	Access to land and urban amenities will increase for the poor and will be more equitable.
Effective urban land markets	Urban land markets will become more effective. The access frontier will be lowered in terms of affordability, availability and accessibility.
Urban management	Urban management will improve and regulations will be cost-effective and easier to apply. Regulations will respond to the needs of the poor and investors more equitably.
Quality of place	Urban areas will become more inclusive and there will be less exclusivity and polarisation. The quality of life for the poor will be improved.

Annexure 1: Participants

Individuals who are active in the urban land sector were invited to the workshop from all sectors.

Participants who attended the workshop

Prof Francois Viruly, Viruly Consulting
Steve Kahanovits, Legal Resources Centre
Peter, Rutsch, Attorney in private practice
Asharf Adam, SAPI
Theunisen Andrews, Coalition of the Urban Poor
Kathleen Evans, UCT, Construction Economics & Management
Janet Love, Legal Resources Centre
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Lerato Ndjwili Potele, Urban LandMark
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Kate Philip, DIFID
Rosy Mashimbye
Dennis Matholengwe, LTM
Alfred Gabuza, FEDUP

Facilitators:

Matthew Nell, Matthew Nell and Associates
Ros Gordon, Matthew Nell and Associates

Participants who were invited but did not attend

Patrick Bond, Centre for Civil Society
Ben Cousins, PLAAS
Adam Habib, HSRC
Lungislie Ntsebeza, UCT
Rogier vd Brink, World Bank
Andile Mxgitima, Foundation for Human Rights
Mike Sutcliffe, eThekweni Municipality
Doreen Atkinson, Karoo
Samantha Hargreaves, Action Aid
Clarissa Augustinus, UN Habitat
Leila McKenna, Urban Skywalkers
Ann Bernstein, CDE
Hassen Mohamed, Chief Director, Presidency
Susan Parnell, Isandla Institute
Joel Bolnick, COURC/SDI
Colin Marx, Isandla Institute
Lisa Del Grande, AFRA
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Sue Lund, Transnet, NPA
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Jacques du Toit, ABSA
Cees Bruggemans, First National Bank
Maureen Mnisi, LPM Gauteng Chair
Jeff McCarthy, CDE

Chris Williams, TRAC
Ted Baumann, Utshani
Bill Rawson, Institute for Estate Agents
Edgar Pieterse, ISANDUA Institute
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Nomonde Mapetla, EAAB
Elna Moolman, Standard Bank
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