



TDA
CAPE TOWN

The City of Cape Town's Transport
and Urban Development Authority

MEMORANDUM

To: DA Caucus, Communicare, NASHO

From: Cllr Brett Herron

Date: 31 October 2018

Subject: **RESPONSE TO CONCERNS RAISED BY COUNCILLORS IN RELATION TO THE DISPOSAL OF THE SALT RIVER MARKET SITE TO A NON-PROFIT HOUSING COMPANY FOR THE PURPOSES OF PROVIDING AFFORDABLE HOUSING**

Dear members of the DA Caucus, Communicare and representatives of our Social Housing Companies.

In response to the ongoing queries – excuses to delay, in my opinion - the Salt River Market affordable housing project, I wish to record the following.

Despite the critical need for affordable housing, and the mandate of the DA to provide well-located affordable housing, as this project would do, several Councillors expressed apparent concerns and the City of Cape Town's IPAC (Immovable Property Adjudication Committee) recommendation to dispose of this site to a national government accredited, non-profit housing company was not supported by the caucus.

At our DA Caucus meeting on Monday 22nd October, I motivated for the release of the Salt River Market site for the development of affordable housing. Specifically, I recommended to caucus that we dispose of the site to Communicare at 10% of the revised 2018 value – ie $10\% \times R114\,000\,000 = R11.4m$.

This is in accordance with the City's Valuations Department, which inflated the value of this property by more than 530% relative to the value four years ago.

I have discussed the situation with Communicare and explained that this new valuation meant that the 2014 valuation (R18 million) can no longer be the basis for the transaction. Communicare accepted the revised 2018 valuation and therefore any objections raised related to the disposal value of the property have no substance in my opinion. I have the same opinion of the other "queries for more technical information" that were raised. Some requests appear to border on extortion.

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My office has compiled a list of queries that councillors expressed, openly to me, or through others. To these objections, I have prepared a tabulated Q&A below.

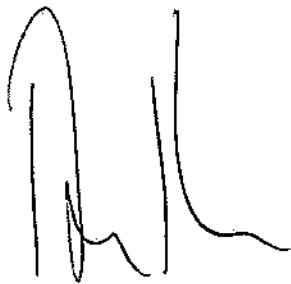
I want to reiterate that it is really important for the City and its residents that we do not jeopardise this project and our relationships with our social housing partners. We really need them. We will not solve the housing crisis on our own, if indeed there is a sincere desire to solve it.

The vast majority of people on our housing data-base are not likely to be qualified for a free basic (BNG/RDP) house given the income threshold. Therefore, the City MUST stop these delay tactics to the disposal of well-located land for the development of affordable housing. This would enable our partner non-profit housing companies to rapidly build more social housing so that there are more decent rental opportunities across the city.

I hope through the hard work of my office staff and our professional staff that we have addressed all the queries raised and encourage any councillor who is unsure of this project, or what social housing is in general, to educate themselves by speaking to our housing experts in the administration rather than engaging in underhanded delaying tactics. You are doing an enormous disservice the citizens who we are elected to serve.

Thank you.

Brett

A handwritten signature in black ink, appearing to be 'Brett', written in a cursive style.

Cllr Brett Herron: Mayoral Committee Member: Transport & Urban Development



The City of Cape Town's Transport and Urban Development Authority

MEMORANDUM

Concern expressed	Raised by	Response
"Transformation is an alarm bell"	Ald JP Smith	It is difficult to respond to this sweeping comment expressed by Ald. JP Smith. The DA's manifesto promises integrated communities. To achieve this we will have to use well-located public land – which we do have. This project would be a flagship model for how well-located public land can be used to achieve integrated communities and provide affordable, not free, housing in well established areas. This site is at rail station and on 2 MyCiti bus routes. It is also close to employment offered in the Voortrekker Road corridor and in the City Centre. If we cannot bring ourselves to support an affordable housing project on a site like this in Salt River then I think we are in breach of our manifesto promise.
The disposal value was too low	Councillor Bryant	I am not responsible for City valuations. Whilst the 530% increase from R18 million in 2014 to R114 million in 2018 seems unusual, I had confirmed with Communicare they would be able to accept this increased cost, although this will likely impact on the cost and/or number of housing units.
Allegations of corruption in Communicare/ Brett Herron/City social housing	Councillor Bryant	These concerns, expressed to other Mayco offices and presumably other DA councillors, but not directly to my face, are absurd. If Cllr Bryant has any evidence of his misgivings or alleged corruption related to the provision of affordable housing in the inner city, he is required by law to report this and present the evidence to the South African Police Services (SAPS) for investigation.

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<p>Alleged instability of the Board due to resignations.</p>	<p>Ald. Justus</p>	<p>I raised the suggestion that the Chair of Communicare had "walked away" from them with Communicare. And was informed that the Chair completed</p> <ul style="list-style-type: none"> - a 12 year term as a board member and - 4 years as Chair. <p>There is no adverse inference to be drawn from his retiring from the board.</p>
<p>Request that a Councillor be appointed to board for oversight.</p>	<p>Ald. Justus</p>	<p>I am not aware that the General Manager has resigned as alleged by Ald. Justus. I have subsequently confirmed with the CEO that this is not the case.</p> <p>City officials note that there are 18 social housing institutes which partner with the City of Cape Town for the provision of affordable housing.</p> <p>I am unaware of a mechanism, nor any need, to instruct these nationally accredited and regulated non-profits increase their costs by adding a councillor to each of their boards. In any event we have no basis for requiring this.</p>
<p>Request a "Due Diligence" assessment of Communicare regarding their ability to deliver on this project.</p>	<p>Ald. Justus</p>	<p>Communicare is a registered Social Housing Institute (SHI). Social Housing is a national government housing product and its provision and management is regulated under legislation and national regulations undertaken by the National Government-appointed regulator the Social Housing Regulatory Authority. SHIs must comply with reporting on all social housing projects and its overall business every quarter.</p> <p>The SHRA has wide powers, including that they may step in and transfer projects to other SHIs where the one with responsibility is not following the national standards. These standards are set both for the Capital development as well as the management service. They also regulate the range of rentals to ensure that they are affordable to low and moderate income households. The SHRA would need to approve the social housing financed part of the project against these rigorous strict criteria.</p> <p>We have been advised that the Social Housing Regulatory Authority (SHRA) has recently completed its most recent audit of all accredited institutions, including Communicare. Stringent criteria relating to all aspects of the property management process are included. Mark Rounfree from my office is awaiting feedback from the CEO of the SHRA on the date when this audit will be available for distribution. This will presumably satisfy some of Ald. Justus's and others concerns.</p> <p>A request for "due diligence" must be premised on some substantive concern. I am unaware of any substantive reason for a due diligence to be conducted. Nor what would give us the power to investigate a private, non-profit, entity.</p> <p>The allocation of the site to Communicare was done under the partnership framework on the</p>

		<p>back of their SHRA accreditation.</p> <p>Part of the accreditation process is to conduct an organisation due diligence which in this case Communicare satisfied the requirements.</p> <p>Our officials advise that they are confident of Communicare's financial standing and its ability to raise the equity contribution of R400 million that they must contribute towards this development. It must be noted that Communicare has already expended at least R4 million of their own funds towards the planning of this development. This demonstrates their commitment to undertaking this development.</p>
<p>Management of Steenvillas shows this company cannot adequately manage this development</p>	<p>Councillor Rose Rau</p>	<p>The management of Steenvillas is not really relevant. It's a different non-profit Social Housing partner (SOHCO, not Communicare). In any event there is no evidence that it is not well managed. The fact that there was protests around Steenvillas was precisely due to strict management and taking action against those who orchestrated and went on a rent-boycott. Social housing companies must still pay their rates, taxes and bank repayments they incur when they develop the site, so the rent is essential to ensure the companies do not go bankrupt and thousands of people lose their homes.</p>
<p>Concern regarding changing lease agreements for elderly residents in the wider Communicare group of properties</p>	<p>(unknown)</p>	<p>As I explained, Communicare has a large property portfolio that predates Social Housing and they cross-subsidise between their market and subsidised social rental properties.</p> <p>Through this model, Communicare subsidises several hundred senior citizens on state pensions. Communicare have advised that they are not terminating or unilaterally changing leases. They are however engaging with tenants who they believe are in inappropriately units for their circumstances. A single state pensioner occupying a large family unit for, example, may be asked to move to a smaller unit so that a needy family can make use of the larger family unit. They are proactively managing their stock so that the right families are in the right units and they can maximize the provision of housing to the many thousands of our residents who need it. It is an approach the City should be implementing with our rental stock. They have advised that <u>no tenant is being evicted and everything is being done by negotiation.</u></p> <p>The site will need to be developed as housing must be built here.</p>
<p>We are disposing of the site to a "developer"</p>	<p>Various</p>	<p>Communicare is one of the City of Cape Town's non-profit housing partners. The non-profit organisation is more than 80 years old and provides rental housing to a wide range of tenants including a large portfolio of social rentals (properties rented at discounted rates). They manage a rental portfolio of more than 3300 units and their social development programme actively supports the tenants in social rentals to improve their quality of life.</p> <p>Any Councillor can visit their website for more information: https://communicare.co.za/</p>