

**AGENDA of the
Portfolio Committee : Infrastructure & Planning
17 October 2017
(Also the agenda for the Council Meeting 25 October 2017)**

5.

HERMANUS AFFORDABLE HOUSING PROJECT: PROPOSED BUSINESS PLAN AND APPROVAL TO DEVIATE FROM SEVERAL PARAGRAPHS OF THE OVERSTRAND MUNICIPALITY ADMINISTRATION OF IMMOVABLE PROPERTY POLICY TO DIRECTLY SELL AND TRANSFER THE 189 ERVEN IN THE IDENTIFIED AFFORDABLE HOUSING PROJECT TO SUPPLIERS TO ALL (PTY) LTD t/a MCAPE OVERSTRAND (PREVIOUSLY MOTLEKAR)

17/5/5/2/18

**A Jacobs / A Le Roux
16 August 2017**

(028) 313 5075

Hermanus Administration

Due to the fact that the envisaged workshop with Councillors on 26 September 2017 did not materialise, the Director: Infrastructure and Planning will do a short presentation to the committee when the Committee is considering this item.

1. Executive Summary

A report providing an update of the progress on affordable housing in the Overstrand municipal area served before Council during May 2017. It was mentioned in the report that the Hermanus Affordable Housing project planned for Zwelihle and Mount Pleasant would be the next development and that a funding contribution towards the project was approved by the Department of Human Settlements (DoHS).

The purpose of this report is now to:

- (a) inform Council of the progress with the project and the housing model as well as planned implementation and obtain Council's approval; and
- (b) obtain approval to transfer the 189 erven in this affordable housing project to the municipality's implementing agent and simultaneously to the beneficiaries (to be identified during the process) who will be allocated the individual erven in terms of the criteria discussed further on in this report.

The following aspects will be discussed:

- Proposed Implementation Model for development and phasing thereof;
- R10 000 000.00 contribution from Department of Human Settlements;
- Proposed waiving of land costs;
- Proposed waiving of electrical services costs;
- Proposed waiving of bulk services contributions;
- Proposed target market (beneficiaries) of the project;
- Proposed transfer to Suppliers to All (Pty) Ltd t/a MCape Overstrand.

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The Hermanus development comprises of the development of three areas in Mount Pleasant and Zwelihle. A Locality Plan of the three sites is attached as Annexure A and a copy of the May 2017 Council Report and Resolution as Annexures B1 and B2, respectively.

2. Service Delivery and Budget Implementation Plan - IGNITE

Directorate: Infrastructure & Planning

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

The encouragement of structured community participation in the matters of the municipality

Promotion of tourism, economic and social development

4. Delegated Authority

None

5. Legal Requirements

Constitution of the Republic of South Africa, 1996

Housing Act, 1997 (Act 107 of 1997)

National Housing Code, 2009

6. Background/Discussion/Evaluation/Conclusion

Background

A: The Development

The development is aimed at creating affordable housing opportunities in close proximity to existing work and business opportunities whilst simultaneously integrating the low-income (BNG) and affordable housing categories. The development will aim to do this through the following:

- Integration of BNG housing in Swartdam Road Site C2 with lower category Finance Linked Individual Subsidy Programme (FLISP) and GAP housing in Swartdam Road Site C1;

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- Provision of middle-income affordable housing by integrating Mount Pleasant Village (sportsfield site) with Mount Pleasant BNG housing (Site B); and
- Provision of higher income affordable housing known as Mount Pleasant Heights in upper Mount Pleasant.

This innovative model will ensure the provision of affordable housing to all. The project is specifically aimed at targeting those households falling within the affordable housing market, meaning those earning between R3 501.00 – R25 000.00 per month.

Those households earning up to R15 000.00 are also eligible for a subsidy in terms of the FLISP, if they qualify in terms of the criteria. Those households earning up to R25 000.00, not qualifying for the FLISP subsidy in terms of their income, must qualify for a full bond from the banks and do not have to pay any deposits. A copy of the FLISP subsidy brochure and qualifying criteria is attached as Annexure C.

To kick-start the project DoHS provided a contribution of R10 000 000. This will be used to reduce finance charges as the Developer will not have to obtain development funding from financial institutions. Approval for this has already been received and the Municipality is currently finalising the details and conditions within the Memorandum of Understanding (MoU) before signing the agreement with DoHS. A copy of the approval letter and draft MoU is attached as Annexures D and E, respectively. This funding will be utilised to make the units more affordable through interest savings. The effect of this will be a reduction of the price of each house of approximately R27 000. It is estimated that it will be possible to develop 30 housing units with the R10 000 000 and these units will be developed as the first phase. It will then be sold to approved beneficiaries and the funding derived from the sales will be utilised to develop the following phase of the units by way of a roll-over process. The R10 million funding will be recovered over the development period and paid into the Municipality's Housing Development Fund (HDF) to promote future housing needs in the affordable market.

The Municipality's Implementing Agent, Suppliers to All t/a MCape Overstrand, was approached for a development proposal, and their proposed Business Plan is what is presented in this report to Council. A copy of the Business Plan is attached as Annexure F.

The development will be completed in phases, and this will be discussed in more detail under the Discussion.

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B: The Sale and Transfer

MCape Overstrand has already been appointed implementing agent for housing projects within the municipal area with a mandate to implement up to a total of 3000 housing units.

The proposal is that MCape Overstrand develop the erven on behalf of the Overstrand Municipality, identify the beneficiaries according to the criteria imposed by DoHS, the Housing Act and the National Housing Code (i.e. the target market) and subsequently provide the Municipality with the details and proof that the criteria is met.

The identified beneficiary will be assisted by the implementing agent to obtain finance from a bank as the application for finance will be for a developed erf.

Discussion / Evaluation

A: The Development

The project comprises of the development of three different sites and each one will now be discussed separately. A copy of the Business Plan is attached as Annexure F.

Swartdam Road Site C1 (Refer to Pages 4-10 in Annexure F)

The property is known as Site C1 in Zwelihle, and it is located adjacent to Mariner's Village and the Zwelihle Clinic, alongside Swartdam Road. It will comprise of the development of 150 houses on sites previously serviced with funding from the DoHS. The development will be completed in phases.

The units will all be approximately 40m² in size. 20% of the 150 units in the development (30 units) will be further subsidised throughout the GAP project, in order to target the lower end of the affordable market (R9 000.00 – R12 000.00). Should the household be eligible for a FLISP subsidy, the selling price could possibly be lower as DoHS would then pay the subsidy amount (which will vary depending on the monthly income) directly over to the bank, where the bond is registered, reducing the monthly repayable bond instalment. This will enable the lower end of the affordable housing income group to also enter the housing market.

It is proposed that selling prices of the 150 units be subsidized by the Municipality by waiving land costs and bulk service contributions. The subsidised 30 units will be allocated to the lowest possible end of the affordable market. Those thirty (30) units will be sold at approximately

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R335 000.00 (incl. VAT) each and the balance of 120 units will be priced at approximately R435 000.00 (incl. VAT) each. These sale prices will increase annually in line with inflation.

Mount Pleasant Village (Refer to Pages 29-40 in Annexure F)

The site is known as the Sportsfield Site and is located next to the Mount Pleasant Sportsfield in Angelier Street, lower Mount Pleasant. It comprises the development of 22 units on sites previously serviced with funding from DoHS. The development will also be completed in phases. Three different unit (house) types are proposed, ranging from 43m² to 82m² in size. Prices will start from R469 436.00 (incl. VAT) per unit up to R708 436.00 (incl. VAT). These sale prices will increase annually in line with inflation.

It is proposed that selling prices be subsidized by the Municipality by waiving land costs and bulk service contributions. Further subsidization is proposed by using the land costs payable on the Mount Pleasant Heights development, to cross-subsidize the Mount Pleasant Village units, therefore making it more affordable for the middle income group of the affordable housing market. If the total amount is divided by the 22 sites in Mount Pleasant Village, it amounts to approximately R52 764.00 less per erf. The amounts above already reflect the proposed cross-subsidization from Mount Pleasant Heights.

Mount Pleasant Heights (Refer to Pages 12-28 in Annexure F)

The site is located in upper Mount Pleasant in Katjiepiering- and Jasmyn Streets and there are a total of 17 sites available for development. These sites were previously serviced by the Municipality. This will also be developed in phases.

The 17 sites formed part of a previous project which comprised of a total of 22 sites approved by Council in 2008, where it was made available to applicants for affordable housing, subject to certain conditions. A copy of this Council Report and Resolution is attached as Annexures G1 and G2, respectively. Only 4 transfers were registered in the Deeds Office and after further unsuccessful attempts to sell the remaining properties, a report was submitted to Council during 2012 to amend the conditions imposed in the 2008 approval. A copy of the report and resolution is attached as Annexures H1 and H2. Of the remaining 18 properties, only one has been sold and transferred and it is now proposed that the remaining 17 sites form part of the Hermanus Affordable Housing Project and has therefore been included in the proposed Business Plan. It is also recommended that the conditions imposed in the 2012 approval, attached as Annexure H2, be rescinded.

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Different unit sizes are also proposed here, ranging from 43m² to 100m², all with the possibility of future extensions. The proposal is to sell it as starter homes to the higher end of the affordable market, enabling those families to gradually extend as their circumstances change or needs increase. Selling prices of the units will start from R670 000.00 (incl. VAT) with extension possibilities and the largest units will sell for R1 259 000.00 (incl. VAT) each. The prices will increase annually in line with inflation.

It is also proposed that bulk services contributions be waived as in the case of the other two sites, making it more affordable to the end user.

It is further proposed that the land costs applicable on Mount Pleasant Heights be used to cross-subsidise the Mount Pleasant Village units, enabling the Developer to sell it at a reduced price.

As mentioned above, the development will be done in different phases, which can be summarised as follow:

(a) Phase 1

- Construction of boundary wall and entrance at Swartdam Road Site C1.
- Construction of a show village of 30 affordable housing units along Swartdam Road during 2017/2018.
- Construction of show houses in Mount Pleasant Village and Mount Pleasant Heights.
- Marketing of units.

(b) Phase 2

- Ongoing marketing 2018/2019
- Complete transfers on Phase 1
- Once R10 000 000.00 is recovered, construction of next 30 affordable housing units will commence during 2018/2019
- Depending on the market uptake and timeframe to recover the bridge-funding, the aim is to construct another 30 affordable housing units – 60 units in total planned for 2018/2019
- Ongoing construction of units in Mount Pleasant Village and Mount Pleasant Heights – depending on the market

(c) Phase 3

- Ongoing marketing of units – 2019/2020
- Final construction of units in Mount Pleasant Village and Mount Pleasant Heights.
- Construction of the last phase of Swartdam Road – 60 Affordable housing units in 2 pockets of 30 units each.

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- Upon transfer of the last phase of the Swartdam Road project, the full amount of R10 000 000.00 will be recovered into the Municipality's HDF.

Bulk Services Contributions and Land Costs

In order to make the units as affordable as possible and to target the intended market, it is proposed that bulk service contributions and land costs on Swartdam Road Site C1 and Mount Pleasant Village are waived by the Municipality and are therefore not included in the selling prices. It is further requested that the land costs applicable on Mount Pleasant Heights be used by the Municipality to cross subsidize the prices of Mount Pleasant Village, lowering the selling prices substantially.

Civil Services Costs

Both the Swartdam Road Site C1 and Mount Pleasant Village sites were serviced under the Integrated Residential Development Programme (IRDP) and therefore all costs incurred with the installation of civil services will have to be recovered from the end-user. This is also a condition in the IRDP programme as set out in the National Housing Code and is included in the Resolution Approval received from DoHS. It has therefore been included in the Memorandum of Agreement (MoA) between the Municipality and Implementing Agent that all civil infrastructure costs will have to be paid back to the Municipality once transfer is given to the end user. Please refer to Clause 13.1 in the MoA. A copy of the MoA is included in the Business Plan (refer to pages 41 – 53) attached as Annexure F. These funds must be transferred into the Municipality's Housing Development Fund (HDF) and utilised towards other housing opportunities once permission is granted by the Minister of Human Settlements.

The installation of civil services in Mount Pleasant Heights was funded by the Municipality and these costs will also have to be recovered as part of the selling price. It will therefore also form part of the condition stipulated in clause 13.1 in the MoA between the Municipality and Implementing Agent to be paid back to the Municipality upon transfer to the end-user. It will however not be paid into the HDF but utilised towards meeting the expenditure related to the implementation of the Land Use Development Conditions. (i.e. the construction of a boundary wall, etc.).

Electrical Services Costs

Electrical Services were installed on all three sites with funding from the Municipality. The costs for each site were as follow:

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- (a) Swartdam Road Site C1: R13 526.55 x 150 sites = R2 028 982.50 (excl. VAT)
- (b) Mount Pleasant Village: R14 892.37 x 22 sites = R327 632.14 (excl. VAT)
- (c) Mount Pleasant Heights: R18 858.44 x 17 sites = R320 593.48 (excl. VAT)

It is requested that Council also waive the electrical costs applicable on Swartdam Road Site C1 and Mount Pleasant Village in order to subsidize the selling price, making it more affordable for the intended target market.

The electrical installation costs applicable on Mount Pleasant Heights is included in the selling price (combined with the civil costs) and must be recovered. It will however not be paid into the HDF but utilised towards meeting the expenditure related to the implementation of the Land Use Development Conditions. (i.e. the construction of a boundary wall, etc.).

Summary of Sale Prices

Summary of sale prices to end users without being subsidised vs subsidy proposals as contained in this submission:

SITE	SELLING PRICE WITHOUT SUBSIDY	SELLING PRICE WITH SUBSIDY	FLISP Subsidy effect on end user
Swartdamweg C1 – 30 units	R445 735	R335 000	R285 000*
Swartdamweg C1 – 120 units	R545 735	R435 000	R385 000*
Mt Pleasant Village – Unit A 43m²	R655 342	R469 000	R449 000#
Mt Pleasant Village – Unit B 62m²	R774 342	R588 436	Not applicable
Mt Pleasant Village - Unit C 82 m²	R894 341	R708 736	Not applicable
Mt pleasant Heights -Unit A 43m²	R749 800	R670 000	Not applicable
Mt Pleasant Heights – Unit B 62 m²	R989 800	R910 000	Not applicable
Mt Pleasant Heights – Unit C 82 m²	R1 138 800	R1 059 000	Not applicable
Mt Pleasant Heights – Unit D 100 m²	R1 338 800	R1 259 999	Not applicable

Note: *FLISP subsidy varies according to income, but for illustration a subsidy of R50 000 is used.

for this category an illustrative amount of R20 000 is used

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Target Market

The project is intended for the affordable housing market, specifically aimed at targeting those households who have not owned properties previously, therefore first time home buyers. The target market will specifically also only look at South African citizens and households within the affordable housing income bands of R3 500.00 – R25 000.00 per month. This is in line with the FLISP subsidy (a copy of the qualifying criteria is attached as Annexure H) made available by DoHS to households earning below R15 000.00, who have not yet owned property and qualify for a bond from the bank. Preference will firstly be given to those families residing in the Hermanus area and then to those residing in the rest of the Overstrand Municipal Area.

B: The Sale and Transfer

As the funding for this project is obtained from the DoHS in terms of the Housing Act and the National Housing Code, as referred to above, the Administration of Immovable Property Policy is not applicable. The latter policy was adopted to give effect to the Municipal Asset Transfer Regulations (MATR) which was promulgated in terms of section 14 of the MFMA. MATR clearly excludes the transfer of housing on municipal land and the transfer of that municipal land to beneficiaries of such housing. In this regard it must be mentioned that the purpose of this project is to assist beneficiaries who do not qualify for fully subsidised housing but are financially not able to afford the current market prices for property.

It is however important to make sure that the community is informed of the process and criteria involved relating to this project by means of an advertisement. It is therefore recommended that the necessary advertisement be placed at the cost of the Municipality.

Conclusion

It is recommended that:

- a) Council take note of the proposed Business Plan and implementation of the affordable Housing Project in Hermanus.
- b) Council take note of the R10 000 000.00 contribution towards kick-starting the affordable housing project in Hermanus made by the DoHS.
- c) Council approve the proposal that all bulk services contributions be waived.
- d) Council approve the proposal that land costs applicable on Swartdam Road Site C1 and Mount Pleasant Village be waived.

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- e) Council approve the proposal that land costs on Mount Pleasant Heights be used towards cross-subsidisation of the Mount Pleasant Village units enabling the Developer to lower the selling prices.
- f) Council take note that the civil services cost for Swartdam Road Site C1 and Mount Pleasant Village be recovered and allocated to the HDF.
- g) Council approve the proposal that electrical installation costs on Swartdam Road Site C1 and Mount Pleasant Village be waived.
- h) Council approves that the civil and electrical infrastructure costs applicable on Mount Pleasant Heights, be utilised towards meeting the expenditure related to the implementation of the Land Use Development Conditions.
- i) Council rescinds the conditions imposed on the 17 sites forming Mount Pleasant Heights.
- j) Council approves the transfer of the 189 erven in this affordable housing project to the beneficiaries (to be identified during the project) who will be allocated the individual erven in terms of the set criteria imposed by DoHS in the MoA, the Housing Act and National Housing Code.

7. Financial Implications

The R10 000 000.00 contribution made available from DoHS is already included on the Municipality's 2017/2018 budget and will be paid out in a lump sum to the Implementing Agent in terms of the MoA and will not be necessary to be rolled-over. At the end of the development this R10 000 000.00 will be fully recovered by the municipality.

Total Bulk Contributions waived by Municipality: R3 803 928.69 (excl. VAT)

Swartdam Road Site C1: R2 680 415.32

Mount Pleasant Village: R427 450.52

Mount Pleasant Heights: R696 062.85

Land Costs waived by Municipality: R3 675 798.00 (excl. VAT)

Swartdam Road Site C1: R3 020 390.00

Mount Pleasant Village: R655 408.00

Electrical Costs waived by Municipality: R2 356 614.64 (excl. VAT)

Swartdam Road Site C1: R2 028 982.50

Mount Pleasant Village: R327 632.14

Land Costs of Mount Pleasant Heights to be used for cross-subsidisation of Mount Pleasant Village: R1 160 811.00.

Services costs for Swartdam Road Site C1 and Mount Pleasant Village

The following costs will be paid back to the Municipality, to be allocated to the HDF, on transfer of the individual erven to the beneficiaries.

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- a) Swartdam Road Site C1: Services costs: R7 617 150.00 (excl. VAT)
- b) Mount Pleasant Village: Services costs: R990 000.00 (excl. VAT)

Services costs for Mount Pleasant Heights

The services costs for Mount Pleasant Heights will be recovered from the units sold and used to fund the land use development conditions.

Advertisement and registration costs:

The Municipality will have to pay for the recommended advertisement (approximately R6 000) as well as the conveyancing fees for the registration of the general plans in the deeds office for the erven in Swartdam Road and Mount Pleasant Village. These costs can only be obtained at a later stage.

8. Staff Implications

None

9. Comments from other Departments, Divisions and Administrations

Senior Manager: Expenditure and Assets: Mr J Vorster - (028) 313 8046

The 17 erven in upper Mount Pleasant (Mount Pleasant Heights) are currently reflected in the Fixed Asset Register for Property, Plant and Equipment: Land and Buildings with a carrying value of R1 425 636 at 30 June 2017. The disposal of these erven will have to be accounted for at the selling price in order to remove it from the Fixed Asset Register and to account for the gain / (loss).

There is no objection as the transfer of the erven complies with the Administration of Immoveable Property Policy and relevant legislation.

10. Annexures

- Annexure A: Locality Plan
- Annexure B1: May 2017 Council Report
- Annexure B2: May 2017 Council Resolution
- Annexure C: FLISP Brochure and Criteria
- Annexure D: Approval Letter from DoHS
- Annexure E: Draft MoU between Municipality and DoHS
- Annexure F: Proposed Business Plan for Affordable Housing Project
- Annexure G1: 2008 Council Report
- Annexure G2: 2008 Council Resolution
- Annexure H1: 2012 Council Report
- Annexure H2: 2012 Council Resolution
- Annexure I: List of 189 currently erven to be sold

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RECOMMENDATION TO THE COUNCIL:

1. that the proposed Business Plan for the Hermanus Affordable Housing Project and implementation thereof, **be noted**;
2. that the R10 000 000.00 received from the Department of Human Settlements towards funding of the Hermanus Affordable Housing Project and the subsequent recovering thereof from the sale of erven by the implementing agent to be allocated to the Housing Development Fund in terms of the Department of Human Settlements' conditions, **be noted**;
3. that all applicable bulk services contributions be waived, **be approved**;
4. that all applicable land costs on Swartdam Road Site C1 and Mount Pleasant Village be waived, **be approved**;
5. that the civil infrastructure costs applicable on Swartdam Road Site C1 and Mount Pleasant Village be utilised towards meeting the expenditure related to the implementation of the Land Use Development Conditions, **be approved**;
6. that all applicable electrical installation costs on Swartdamroad Site C1 and Mount Pleasant Village be waived, **be approved**;
7. that the land costs applicable on Mount Pleasant Heights, which amounts to approximately R1 160 811.00 be used to cross-subsidise the selling prices on Mount Pleasant Village, **be approved**;
8. that the civil- and electrical infrastructure costs applicable on Mount Pleasant Heights be utilised towards meeting the expenditure related to the implementation of the Land Use Development Conditions, **be approved**;
9. that the conditions imposed by Council on the remaining 17 sites in upper Mount Pleasant, now forming part of Mount Pleasant Heights, as contained in the Resolution dated 26 September 2012, **be rescinded**;
10. that the transfer of the 189 erven in this housing project to MCape Overstrand must be simultaneous with the transfer to the beneficiaries (to be identified during the project) who will be allocated the individual erven in terms of the set criteria imposed by Department of Human Settlements in the Memorandum of Agreement and the Housing Act and National Housing Code, **be approved**;
11. that the abovementioned approval be subject to a public participation process being followed at the cost of the Municipality in order to inform the public of the process to be followed for the allocation of the developed erven to beneficiaries; and

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- 12 that a reversionary clause be inserted in the Land Availability Agreement with MCape Overstrand stating that the development must be completed within 5 years from date of signature of the Agreement unless a written extension has been granted by the municipality, inclusive of refundable HDF amounts.

RESPONSIBLE OFFICIAL :

**A JACOBS
A LE ROUX
B KING**

TARGET DATE FOR IMPLEMENTATION :

25 OCTOBER 2017

TARGET DATE TO INFORM APPLICANT:

N/A

TARGET DATE TO INFORM OBJECTOR:

N/A

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**5.
HERMANUS AFFORDABLE HOUSING PROJECT: PROPOSED BUSINESS PLAN
AND APPROVAL TO DEVIATE FROM SEVERAL PARAGRAPHS OF THE
OVERSTRAND MUNICIPALITY ADMINISTRATION OF IMMOVABLE PROPERTY
POLICY TO DIRECTLY SELL AND TRANSFER THE 189 ERVEN IN THE
IDENTIFIED AFFORDABLE HOUSING PROJECT TO SUPPLIERS TO ALL (PTY)
LTD t/a MCAPE OVERSTRAND (PREVIOUSLY MOTLEKAR)**

17/5/5/2/18

A Jacobs / A Le Roux
16 August 2017

(028) 313 5075

Hermanus Administration

**THIS MATTER SERVED BEFORE THE JOINT PORTFOLIO COMMITTEE ON
17 OCTOBER 2017, WHICH COMMITTEE RECOMMENDED AS FOLLOWS:**

RECOMMENDATION TO THE COUNCIL:

1. that the proposed Business Plan for the Hermanus Affordable Housing Project and implementation thereof, **be noted**;
2. that the R10 000 000.00 received from the Department of Human Settlements towards funding of the Hermanus Affordable Housing Project and the subsequent recovering thereof from the sale of erven by the implementing agent to be allocated to the Housing Development Fund in terms of the Department of Human Settlements' conditions, **be noted**;
3. that all applicable bulk services contributions be waived, **be approved**;
4. that all applicable land costs on Swartdam Road Site C1 and Mount Pleasant Village be waived, **be approved**;
5. that the civil infrastructure costs applicable on Swartdam Road Site C1 and Mount Pleasant Village be utilised towards meeting the expenditure related to the implementation of the Land Use Development Conditions, **be approved**;
6. that all applicable electrical installation costs on Swartdamroad Site C1 and Mount Pleasant Village be waived, **be approved**;
7. that the land costs applicable on Mount Pleasant Heights, which amounts to approximately R1 160 811.00 be used to cross-subsidise the selling prices on Mount Pleasant Village, **be approved**;
8. that the civil- and electrical infrastructure costs applicable on Mount Pleasant Heights be utilised towards meeting the expenditure related to the implementation of the Land Use Development Conditions, **be approved**;

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9. that the conditions imposed by Council on the remaining 17 sites in upper Mount Pleasant, now forming part of Mount Pleasant Heights, as contained in the Resolution dated 26 September 2012, **be rescinded**;
10. that the transfer of the 189 erven in this housing project to MCape Overstrand must be simultaneous with the transfer to the beneficiaries (to be identified during the project) who will be allocated the individual erven in terms of the set criteria imposed by Department of Human Settlements in the Memorandum of Agreement and the Housing Act and National Housing Code, **be approved**;
11. that the abovementioned approval be subject to a public participation process being followed at the cost of the Municipality in order to inform the public of the process to be followed for the allocation of the developed erven to beneficiaries; and
12. that a reversionary clause be inserted in the Land Availability Agreement with MCape Overstrand stating that the development must be completed within 5 years from date of signature of the Agreement unless a written extension has been granted by the municipality, inclusive of refundable HDF amounts.

RESPONSIBLE OFFICIAL :

**A JACOBS
A LE ROUX
B KING**

TARGET DATE FOR IMPLEMENTATION :

25 OCTOBER 2017

TARGET DATE TO INFORM APPLICANT:

N/A

TARGET DATE TO INFORM OBJECTOR:

N/A



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**22.
UPDATE ON THE PROGRESS OF AFFORDABLE HOUSING DEVELOPMENTS IN
OVERSTRAND**

17/5/5/2

A Jacobs

24 April 2017

(028) 313 5075

Hermanus Administration

1. Executive Summary

The purpose of the report is to provide Council with an update regarding the progress on the affordable housing developments in Overstrand. For clarification purposes, Council should also note that Affordable Housing is categorised as those opportunities available to households earning between R3 501.00 and R25 000.00 per month. Households earning up to R15 000.00 are also eligible for a subsidy in terms of the Finance Linked Individual Subsidy Programme (FLISP), given that they qualify in terms of the criteria and households earning up to R25 000.00 must also qualify for a full bond from the banks without having to pay any deposits.

A Locality Plan, indicating the locations of the development sites, is attached as Annexure A.

2. Service Delivery and Budget Implementation Plan - IGNITE

Directorate: Infrastructure & Planning

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

The encouragement of structured community participation in the matters of the municipality

Promotion of tourism, economic and social development

4. Delegated Authority

None

5. Legal Requirements

Constitution of the Republic of South Africa, 1996

Housing Act, 1997 (Act 107 of 1997)

National Housing Code, 2009

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Local Government: Municipal Finance Management Act, 2003 (Act 56 of 2003)

Local Government: Municipal Systems Act, 2000 (Act 32 of 2000)

6. Background/Discussion/Evaluation/Conclusion

Background / Discussion / Evaluation

There is currently one Affordable Housing Development being implemented and two others being planned for the Overstrand. Each one will be discussed separately:

Gansbaai GAP

The development comprises the construction of 155 affordable housing units on a Portion of Erf 210, Gansbaai, known as Fountain Hill. Installation of Civil and Electrical infrastructure were completed at the end of June 2015. The Developer then started with the first phase which entailed the construction of 11 units. The remaining 144 units will be developed in phases when the first 11 are sold and also in phases. To date, 2 properties have been sold, one is under offer and the remaining 8 are being leased. The houses vary in size from 42 sq m to 87 sq m and sell for R479 000 and R884 000 respectively.

Zwelihle & Mount Pleasant, Hermanus

Three development sites have been identified in the Hermanus area.

- The first property is known as Site C1 in Zwelihle, and it is located adjacent to Mariner's Village and the Zwelihle Clinic, along Swartdam Road. It comprises the development of 150 units, to be completed in phases.
- The second site is known as the Sportsfield Site and it is located next to the Mount Pleasant Sportsfield in Angelier Street. This comprises the development of 22 units, also to be completed in phases.
- The third site is located in upper Mount Pleasant in Katjeepering- and Jasmyn Streets and there are a total of 17 sites available for development.

Funding for the development of the first phase of these three sites has been approved by the Department of Human Settlements (DoHS) for the 2017 / 2018 financial year.

The Municipality is currently awaiting the final Resolution and conditions from DoHS. The Department approved a contribution of R10 million towards the project in order to make the housing more affordable. As soon as the Resolution has been received, a contract will have to be signed between the

**AGENDA of the
Portfolio Committee : Infrastructure & Planning
22 May 2017
(Also the agenda for the Mayoral Committee Meeting 31 May 2017)**

Municipality and DoHS, after which a more detailed report will be presented to Council and the sites can be made available to the Developer.

A Layout Plan for Site C1 indicating the affordable housing portion is attached as Annexure B.

Hawston

Five hundred sites have been approved in the Hawston Integrated Development Programme (IRDP) of which 107 is earmarked for affordable housing. The Municipality received the Resolution for the installation of civil services from DoHS on 26 April 2017. We are still waiting for the final contracts from DoHS. After the installation of civil services has been completed, the construction of the affordable housing units will be addressed. A Layout Plan indicating the affordable housing portion is attached as Annexure C.

Conclusion

Council to take note of the availability and progress of the affordable housing development in the Overstrand.

7. Financial Implications

None

8. Staff Implications

None

9. Comments from other Departments, Divisions and Administrations

None

10. Annexures

- Annexure A: Locality Plans
- Annexure B: Site C1 Affordable Housing Layout
- Annexure C: Hawston Affordable Housing Layout

RECOMMENDATION TO THE COUNCIL:

that the availability and progress on the Affordable Housing Developments in the Overstrand, **be noted.**

ANNEXURE B1
Page 4 of 9

**AGENDA of the
Portfolio Committee : Infrastructure & Planning
22 May 2017
(Also the agenda for the Mayoral Committee Meeting 31 May 2017)**

RESPONSIBLE OFFICIAL :	A JACOBS
TARGET DATE FOR IMPLEMENTATION :	28 JUNE 2017
TARGET DATE TO INFORM APPLICANT:	N/A
TARGET DATE TO INFORM OBJECTOR:	N/A

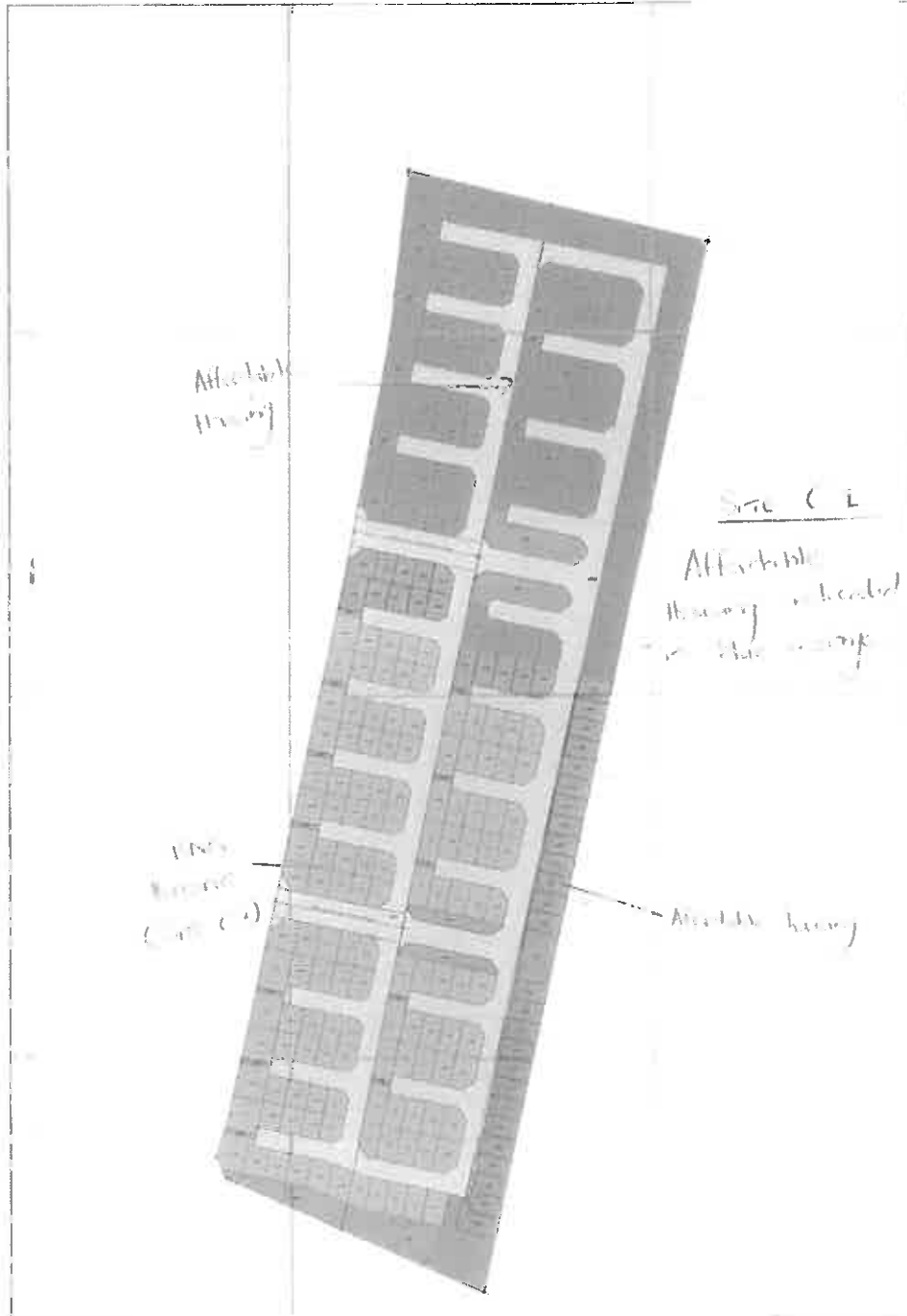




ANNEXURE A
Page 2 of 3

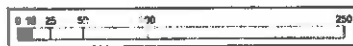


ANNEXURE B





ANNEXURE C



HAWSTON

INTEGRATED HUMAN SETTLEMENT LAYOUT PLAN

DATE: 24 June 2011

SCALE: 1:10000

PLAN NO: []

Application Area (±12.54ha)

Cadastral Boundaries

Land Use Table				
Land Use	Notation	Units	Extent	% of Total
Housing				
GAP	[]	507	11.75ha	13.64
Stands	[]	510	15.07ha	39.87
Local Government	[]	2	0.24ha	0.27
Other				
Open Space	[]	9	20.86ha	2.71
Recreation/Field	[]	1	29.77ha	1.96
Community Use	[]	2	10.00ha	7.34
Roads	[]	1	0.66ha	31.81
TOTAL		500	112.54ha	100

DISCLAIMER
All boundaries and locations are shown and property lines are shown by a Professional Land Surveyor.

NOTES
1. The information contained in this plan is for informational purposes only and does not constitute a contract. The user of this plan is advised to consult the relevant legislation and regulations for the purposes of this plan. The user of this plan is advised to consult the relevant legislation and regulations for the purposes of this plan. The user of this plan is advised to consult the relevant legislation and regulations for the purposes of this plan.

5.11**UPDATE ON THE PROGRESS OF AFFORDABLE HOUSING DEVELOPMENTS IN OVERSTRAND****(ITEM 22, PAGE 461 : INFRASTRUCTURE & PLANNING PORTFOLIO - MAYORAL COMMITTEE MEETING : 31 MAY 2017)****RESOLVED (SUPPORTED BY 25 COUNCILLORS):**

that the availability and progress on the Affordable Housing Developments in the Overstrand, **be noted.**

RESPONSIBLE OFFICIAL :	A JACOBS
TARGET DATE FOR IMPLEMENTATION :	28 JUNE 2017
TARGET DATE TO INFORM APPLICANT:	N/A
TARGET DATE TO INFORM OBJECTOR:	N/A



Finance Linked Individual Subsidy Programme (FLISP)

Making living conditions in the Western Cape **BETTER TOGETHER.**



FLISP SCALE:

Upper limit	R 87 000
Lower limit	R 20 000
Subsidy increment	R 1 175

Step	Increment band	Subsidy amount
1	R 20 000 - R 21 175	R 1 175
2	R 21 175 - R 22 350	R 2 350
3	R 22 350 - R 23 525	R 3 525
4	R 23 525 - R 24 700	R 4 700
5	R 24 700 - R 25 875	R 5 875
6	R 25 875 - R 27 050	R 7 050
7	R 27 050 - R 28 225	R 8 225
8	R 28 225 - R 29 400	R 9 400
9	R 29 400 - R 30 575	R 10 575
10	R 30 575 - R 31 750	R 11 750
11	R 31 750 - R 32 925	R 12 925
12	R 32 925 - R 34 100	R 14 100
13	R 34 100 - R 35 275	R 15 275
14	R 35 275 - R 36 450	R 16 450
15	R 36 450 - R 37 625	R 17 625
16	R 37 625 - R 38 800	R 18 800
17	R 38 800 - R 39 975	R 19 975
18	R 39 975 - R 41 150	R 21 150
19	R 41 150 - R 42 325	R 22 325
20	R 42 325 - R 43 500	R 23 500
21	R 43 500 - R 44 675	R 24 675
22	R 44 675 - R 45 850	R 25 850
23	R 45 850 - R 47 025	R 27 025
24	R 47 025 - R 48 200	R 28 200
25	R 48 200 - R 49 375	R 29 375
26	R 49 375 - R 50 550	R 30 550
27	R 50 550 - R 51 725	R 31 725
28	R 51 725 - R 52 900	R 32 900
29	R 52 900 - R 54 075	R 34 075
30	R 54 075 - R 55 250	R 35 250
31	R 55 250 - R 56 425	R 36 425
32	R 56 425 - R 57 600	R 37 600
33	R 57 600 - R 58 775	R 38 775
34	R 58 775 - R 59 950	R 39 950
35	R 59 950 - R 61 125	R 41 125
36	R 61 125 - R 62 300	R 42 300
37	R 62 300 - R 63 475	R 43 475
38	R 63 475 - R 64 650	R 44 650
39	R 64 650 - R 65 825	R 45 825
40	R 65 825 - R 67 000	R 47 000
41	R 67 000 - R 68 175	R 48 175
42	R 68 175 - R 69 350	R 49 350
43	R 69 350 - R 70 525	R 50 525
44	R 70 525 - R 71 700	R 51 700
45	R 71 700 - R 72 875	R 52 875
46	R 72 875 - R 74 050	R 54 050
47	R 74 050 - R 75 225	R 55 225
48	R 75 225 - R 76 400	R 56 400
49	R 76 400 - R 77 575	R 57 575
50	R 77 575 - R 78 750	R 58 750
51	R 78 750 - R 79 925	R 59 925
52	R 79 925 - R 81 100	R 61 100
53	R 81 100 - R 82 275	R 62 275
54	R 82 275 - R 83 450	R 63 450
55	R 83 450 - R 84 625	R 64 625
56	R 84 625 - R 85 800	R 65 800
57	R 85 800 - R 86 975	R 66 975
58	R 86 975 - R 88 150	R 68 150
59	R 88 150 - R 89 325	R 69 325
60	R 89 325 - R 90 500	R 70 500
61	R 90 500 - R 91 675	R 71 675
62	R 91 675 - R 92 850	R 72 850
63	R 92 850 - R 94 025	R 74 025
64	R 94 025 - R 95 200	R 75 200
65	R 95 200 - R 96 375	R 76 375
66	R 96 375 - R 97 550	R 77 550
67	R 97 550 - R 98 725	R 78 725
68	R 98 725 - R 99 900	R 79 900
69	R 99 900 - R 101 075	R 81 075
70	R 101 075 - R 102 250	R 82 250
71	R 102 250 - R 103 425	R 83 425
72	R 103 425 - R 104 600	R 84 600
73	R 104 600 - R 105 775	R 85 775
74	R 105 775 - R 106 950	R 86 950
75	R 106 950 - R 108 125	R 88 125
76	R 108 125 - R 109 300	R 89 300
77	R 109 300 - R 110 475	R 90 475
78	R 110 475 - R 111 650	R 91 650
79	R 111 650 - R 112 825	R 92 825
80	R 112 825 - R 114 000	R 94 000
81	R 114 000 - R 115 175	R 95 175
82	R 115 175 - R 116 350	R 96 350
83	R 116 350 - R 117 525	R 97 525
84	R 117 525 - R 118 700	R 98 700
85	R 118 700 - R 119 875	R 99 875
86	R 119 875 - R 121 050	R 101 050
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88	R 122 225 - R 123 400	R 103 400
89	R 123 400 - R 124 575	R 104 575
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91	R 125 750 - R 126 925	R 106 925
92	R 126 925 - R 128 100	R 108 100
93	R 128 100 - R 129 275	R 109 275
94	R 129 275 - R 130 450	R 110 450
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101	R 137 500 - R 138 675	R 118 675
102	R 138 675 - R 139 850	R 119 850
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105	R 142 200 - R 143 375	R 123 375
106	R 143 375 - R 144 550	R 124 550
107	R 144 550 - R 145 725	R 125 725
108	R 145 725 - R 146 900	R 126 900
109	R 146 900 - R 148 075	R 128 075
110	R 148 075 - R 149 250	R 129 250
111	R 149 250 - R 150 425	R 130 425
112	R 150 425 - R 151 600	R 131 600
113	R 151 600 - R 152 775	R 132 775
114	R 152 775 - R 153 950	R 133 950
115	R 153 950 - R 155 125	R 135 125
116	R 155 125 - R 156 300	R 136 300
117	R 156 300 - R 157 475	R 137 475
118	R 157 475 - R 158 650	R 138 650
119	R 158 650 - R 159 825	R 139 825
120	R 159 825 - R 161 000	R 141 000
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124	R 164 525 - R 165 700	R 145 700
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126	R 166 875 - R 168 050	R 148 050
127	R 168 050 - R 169 225	R 149 225
128	R 169 225 - R 170 400	R 150 400
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130	R 171 575 - R 172 750	R 152 750
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133	R 175 100 - R 176 275	R 156 275
134	R 176 275 - R 177 450	R 157 450
135	R 177 450 - R 178 625	R 158 625
136	R 178 625 - R 179 800	R 159 800
137	R 179 800 - R 180 975	R 160 975
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139	R 182 150 - R 183 325	R 163 325
140	R 183 325 - R 184 500	R 164 500
141	R 184 500 - R 185 675	R 165 675
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143	R 186 850 - R 188 025	R 168 025
144	R 188 025 - R 189 200	R 169 200
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148	R 192 725 - R 193 900	R 173 900
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150	R 195 075 - R 196 250	R 176 250
151	R 196 250 - R 197 425	R 177 425
152	R 197 425 - R 198 600	R 178 600
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245	R 306 700 - R 307 875	R 287 875
246	R 307 875 - R 309 050	R 289 050
247	R 309 050 - R 310 225	R 290 225
248	R 310 225 - R 311 400	R 291

Finance Linked Individual Subsidy Programme (FLISP)

WHAT IS THE FINANCE LINKED INDIVIDUAL SUBSIDY PROGRAMME (FLISP)?

The Finance Linked Individual Subsidy Programme (FLISP) is an instrument that assists qualifying households by providing a once-off down payment to those households who have secured mortgage finance to acquire a residential property for the first time.

HOW WILL THE FINANCE LINKED INDIVIDUAL SUBSIDY PROGRAMME (FLISP) ASSIST A QUALIFYING BENEFICIARY?

FLISP assists qualifying beneficiaries who wish to obtain mortgage finance from a lender to:

- Acquire ownership of an existing residential property.
- Obtain vacant serviced residential stands which are linked to house building contracts with home builders registered with the National Home Builders Registration Council (NHBRIC) or
- Build a new house with the assistance of a home builder registered with the National Home Builders Registration Council (NHBRIC), on a serviced residential stand, that is ready owned by the beneficiary.

WHO IS FLISP TARGETED AT?

Households whose gross income range is **R3 501 to R15 000** and are South African citizens

WHAT IS THE SUBSIDY AMOUNT THAT ONE CAN QUALIFY FOR?

- Depending on their income level a qualifying beneficiary will qualify for a subsidy of between **R20 000 to R87 000**.

HOW DO I APPLY FOR FLISP?

- You must be in the market looking for a house and should be able to secure a home loan as it is a requirement to access FLISP subsidy.
- To apply you must contact or visit the Department of Human Settlements' Helpdesk.

WHAT IS THE OBJECTIVE OF THE FINANCE LINKED INDIVIDUAL SUBSIDY PROGRAMME?

The objective of the programme is to reduce the **initial mortgage loan** amount to render the monthly loan repayment instalments affordable over the loan payment term.

THE QUALIFICATION CRITERIA

The applicant should:

- Earn between **R3 501 to R15 000**
- Be a South African citizen with a valid Identity Document, or be a permanent resident with a permanent residence permit.
- Not have qualified for a government housing subsidy before.
- Not have owned a fixed residential property before.
- Be competent to contract - over 18 years or legally married or legally divorced and of sound mind.
- Be married or cohabiting.
- Be single with financial dependants

If the home loan application is declined by the bank then you will not be able to access the Finance Linked Individual Subsidy Programme (FLISP).

To apply for FLISP you must be in the process of purchasing a property, if you already have purchased a property, it should not be registered on your name for more than 12 months as applications after this window-period are currently not considered.





Local Government Revenue and Expenditure
Email: Elizabeth.Wenn@westerncape.gov.za
tel: +27 21 483 4540 fax: +27 21 483 4337

Reference: PTR 16/1/2/3

THE MAYOR
(FOR INFORMATION)

THE MUNICIPAL MANAGER: OVERSTRAND MUNICIPALITY

THE CHIEF FINANCIAL OFFICER: OVERSTRAND MUNICIPALITY

FINAL 2017 MUNICIPAL BUDGET ALLOCATIONS

This letter outlines the Municipal Budget Allocations for the 2017 MTEF, including priority allocations from National and Provincial Government.

Overall thrust of Budget 2017

The 2017 funding envelope has been influenced by the persistently weak economic environment and uncertain fiscal outlook. This impact on the growth of the Provincial Equitable Share and some Conditional Grants over the MTEF which in turn results in a decreasing growth trend of some allocations to municipalities.

The 2017 Provincial Budget reflects the Western Cape Government's commitment to implementing the Western Cape Government's Fiscal Strategy and maintaining fiscal discipline, fiscal consolidation and fiscal sustainability. The aim is to fund the Western Cape Government's priorities, the key policy priorities of the Provincial Strategic Plan and Game Changers, within the aggregate expenditure ceiling and taking fiscal and delivery risks into account. Ultimately the budget allocations should lead to improved public value and service delivery impact. This also forms the basis of allocations to municipalities within the Western Cape.

Minister Ivan Meyer tabled the Western Cape Provincial 2017 Budget in the Provincial Parliament on the 7th of March 2017. Arising from this, your Municipality will receive total planned transfers from various departments in the Provincial Government of R51.100 million in 2017/18, R39.109 million in 2018/19 and R65.809 million in 2019/20.

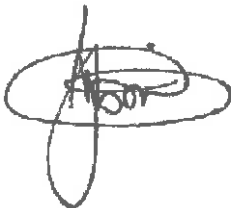
ANNEXURE D
Page 2 of 3

Details of your Municipality's allocations from provincial departments, as well as from the national departments have been taken up in the attached Schedule A. The frameworks for the provincial allocations are represented in the 2017 Provincial Gazette No. 7742, dated 7 March 2017, whilst the frameworks for the national allocations were published in the 2017 Division of Revenue Bill (B4 of 2017).

As the Accounting Officer you are encouraged to continue to search for efficiencies within your Municipality but in doing so you are advised to protect spending on frontline services, especially as they relate to government's key priorities.

These allocations must be included in your municipality's 2017/18 MTREF draft budget which must be tabled by the mayor at a council meeting by 31 March 2017.

I trust this information will provide you with the required strategic and operational information on the plans of provincial departments, so that you can better plan and budget within your Municipality.



MR M SIGABI

**(ACTING) CHIEF DIRECTOR: LOCAL GOVERNMENT PUBLIC FINANCE
PROVINCIAL TREASURY**

DATE: 8 March 2017

SCHEDULE A

LOCAL GOVERNMENT MTEF ALLOCATIONS: 2017/18 - 2019/20			
	2017/18	2018/19	2019/20
	R thousands	R thousands	R thousands
OVERSTRAND MUNICIPALITY			
Direct transfers			
Equitable share and related	84 223	96 165	105 986
Fuel levy sharing			
Infrastructure	26 330	27 404	35 538
Municipal infrastructure grant	22 330	23 404	24 538
Integrated national electrification programme (municipal) grant	4 000	4 000	11 000
Current transfers	3 850	1 550	1 550
Local government financial management grant	1 550	1 550	1 550
Expanded public works programme integrated grant for municipalities	2 300		
Sub total direct transfers	114 403	125 119	143 074
Total Transfers from DOR Bill	114 403	125 119	143 074
Transfers from Provincial Departments			
Municipal Allocations from Provincial Departments	51 100	39 109	65 809
<i>of which</i>			
Provincial Treasury	240	360	480
Financial management capacity building grant	240	360	480
Department of Human Settlements	41 670	32 000	58 200
Human settlements development grant (Beneficiaries)	31 670	32 000	58 200
Provincial Contribution towards the Acceleration of Housing Delivery	10 000	-	-
Department of Transport and Public Works	139	-	-
Financial assistance to municipalities for maintenance and construction of transport infrastructure	139	-	-
Department of Cultural Affairs and Sport	8 177	6 675	7 055
Community Library Service Grant	7 006	6 675	7 055
Development of Sport and Recreation Facilities	1 171	-	-
Department of Local Government	874	74	74
Fire Service Capacity Building Grant	800		
Community Development Workers (CDW) operational support grant	74	74	74
Total Transfers from Provincial Departments	51 100	39 109	65 809
Total National and Provincial Allocations	165 503	164 228	208 883

ANNEXURE E
Page 1 of 9

MEMORANDUM OF AGREEMENT

Entered into by and between

THE WESTERN CAPE GOVERNMENT VIA ITS DEPARTMENT OF HUMAN SETTLEMENTS

(Herein represented by Mr. T Mguli in his capacity as Head of Department of Human Settlements, and duly authorised thereto)

(Hereinafter referred to as **"the Department"**)

and

OVERSTRAND MUNICIPALITY

Herein represented byin his/her capacity as and duly authorised thereto

(Hereinafter referred to as **"the Municipality"**)

(Collectively referred to as the **"Parties"**)

for

THE FUNDING FOR HERMANUS AFFORDABLE /MIDDLE INCOME HOUSING PROJECT: OVERSTRAND MUNICIPALITY

INTRODUCTION

- A. A request for assistance was submitted by the Overstrand Municipality for the funding of Affordable/middle income Housing in Hermanus.
- B. The Department has resolved to make funding available and to support the request for funding of R 10 000 000.00 (Ten Million Rand).
- C. The Parties wish to record the terms and conditions upon which the Department has allocated the funds to the Municipality, in writing.

NOW THEREFORE THE PARTIES AGREE AS FOLLOWS:**1. TRANSFER OF FUNDS**

- 1.1 The Department shall effect payment of the funds in sum of R 10 000 000.00 (Ten Million Rand) to the Municipality in a single payment, which funds will be utilised in accordance with the terms and conditions as set out in this agreement.
- 1.2 The Municipality may submit a claim, certified in terms of clause 1.5 below, on the date of the Agreement being signed by the last signatory hereto.
- 1.3 The funds shall be deposited into the Municipality's primary bank account opened in accordance with section 8 of the Municipal Finance Management Act, 2003 and suitably ring-fenced until the funds can be utilized for purposes of the Project.
- 1.4 Interest earned may only be utilised for the benefit of the Project.
- 1.5 Payment of the funds shall be made within 30 (thirty) days of receipt of the Municipality's written request for payment which shall be made in the format as agreed with the Department and which shall be certified by the Municipal Manager or his nominee in the following manner:

"I,(name of Municipal Manager or nominated responsible person), duly authorised, do hereby certify that the above-mentioned funds will be spent for the purpose of completing the Project, that sufficient documentary evidence to substantiate all payments will

be made available and that the Municipal Council was informed of the services to be rendered."

2. UNDERTAKING BY THE MUNICIPALITY

- 2.1. The Municipality undertakes to utilise the funds solely for the purpose as expressed in this Agreement.
- 2.2 The Municipality hereby confirms that effective, efficient and transparent financial management and internal control systems are in place and further declares that the Municipality has the necessary capacity to control, co- ordinate and manage the Project and exercise control over the funds allocated to the Project.
- 2.3 In support of clause 2.2 of this agreement, the Municipality will furnish the Department with its most recent audited report.
- 2.4 The Municipality must comply with applicable procurement legislation and use its approved Procurement Policy for the appointment of the service provider on the Project.
- 2.5 The Municipality shall be obliged to enter into an agreement with the service provider who will complete the Project. The agreement concluded between the Municipality and the service provider must:
 - 2.5.1 Provide that copies of all documentation related to the provisioning of the services to the Municipality (being on paper or in electronic format) is to be made available to the Department on request; and
 - 2.5.2 Contain a retention clause.
- 2.6 The Municipality undertakes to provide such reports as indicated in clause 7 of this Agreement to the Department.
- 2.7 The Municipality undertakes to retain all expenditure vouchers, including cashed cheques, indicating the Project number, for audit purposes.

- 2.8 The Municipality to ensure that the full grant of R 10 000 000.00 (Ten Million Rand) (VAT @ 0% be allocated to the project.)

3. CONDITIONS OF GRANT

- 3.1 The funds are available until 31 March 2019 and must be utilized into the business plan submitted to Department.
- 3.2 The Department shall at any stage during the period of the implementation of the Project be entitled:
- 3.2.1 to request any information from the Municipality pertaining to the Project which the Municipality must provide within the specified time period;
- 3.2.2 to inspect the progress of the Project and any records or documents related to the Municipality's role in terms of this Project; and
- 3.2.3 to call meetings which the Municipality shall attend and be entitled to be represented by any of its employees or members of its professional team or representatives.
- 3.3 Should the funds not be utilised for its intended purpose, the Department shall be entitled to reclaim the full amount paid to the Municipality in terms of this Agreement from the Municipality together with interest.
- 3.4 Should the Project not commence within 3 months after the date of signature by the Party signing the Agreement last in time, or such date as mutually agreed upon in writing between the Parties, the Agreement shall lapse and be of no further force or effect, and all funds shall be immediately refunded to the Department, with interest.
- 3.5 Surplus funds and income derived from the sale of the units, including available interest thereon, must be paid into the municipality's special operating account and must be utilized for future housing projects, subject to the Provincial Minister responsible for Human settlements' approval.

- 3.6 Upon request, the Municipality must supply the Department with all documentation including supporting vouchers of all expenses, incurred by the Municipality, related to this Agreement within 7 (seven) days of such request.
- 3.7 In the event of the Department paying the Municipality an amount in excess of the amount which the Municipality is entitled to receive ("excess amount"), the Municipality shall upon demand immediately refund any such excess amount to the Department.
- 3.8 If the Municipality fails to repay such excess amount immediately, upon demand:
- 3.8.1 the said amount shall accrue interest at the ruling rate of interest applicable from time to time to debts due to the State in accordance with section 80 of the Public Finance Management Act, 1999, which shall be calculated on the outstanding balance with effect from the date on which the overpayment was made until the date of repayment; and
- 3.8.2 the Department shall be entitled to set off the excess amount, together with interest calculated in accordance with clause 3.8.1, against any payments due to the Municipality in accordance with the provisions of this Agreement.
- 3.9 It is specifically recorded that a separate agreement will be concluded for the funds reserved for this Project for during the 2017/2018 financial year, subject to the approval thereof and subsequent gazetting by Provincial Treasury.
- 3.10 Payment will be processed on receipt and verification (actual delivery) of invoice.
4. **RECORD OF ACCOUNTS AND SUPPORTING DOCUMENTATION**
- 4.1 The following documentation and statements which indicate the total allocation, total expenditure and total interest generated must be forwarded to the Department at the end of each of the Municipality's financial years until completion of the Project, as well as within 6 (six) months of completion of the

Project.

- 4.1.1 an audit report;
- 4.1.2 financial statements consisting of the following:
 - a. income statement;
 - b. balance sheet;
 - c. cash flow statement;
 - d. notes to the financial statement; and
 - e. any other documentation required by legislation.

4.2 The accounting documents and the supporting documents related to the Project must remain at the disposal of the Department throughout the duration of the Agreement and for a period of 5 (five) years after the date of termination of this Agreement.

4.3 The Municipality must retain the originals of the supporting documents and supply the Department with copies of the supporting documents stamped with the Municipality's official stamp. The Municipality must, at the request of the Department, indicate the place at which the originals may be examined.

5. RIGHT OF ACCESS TO FINANCIAL RECORDS

The Municipality grants authorised officials of the Department access to its financial records pertaining to the Project at all times and these officials shall be entitled to inspect the Municipality's records at the Municipality's premises, after reasonable written notice has been furnished

6. REPORTING PROCEDURE

6.1 Monthly reports

6.1.1 The Municipality must submit to the Department monthly reports on the actual status of the progress of the Project in the format prescribed by the Department.

6.1.2 The monthly reports must comprise of an explanatory section and an

accounting section, which indicates the total amount paid by the Department to the Municipality in respect of the Project, the expenses incurred by the Municipality, the interest generated and the progress made on the Project.

6.2 The Municipality shall within 3 (three) months of the completion of this Project provide the Head of Department with the following:

6.2.1 a report detailing the extent to which the objectives contained in this Agreement have been achieved;

6.2.2 an audit report, which contains a confirmation from the Municipal Manager of the Municipality that the utilisation of the funds was audited internally.

6.3 The Department shall be entitled to request any additional information relating to any issues raised in or omitted from a report.

6.4 All reports shall be in writing and directed to the Head of Department unless otherwise stated.

7. DISPUTE RESOLUTION

7.1 In the event of any dispute arising from this Agreement, the Parties shall make every effort to settle such dispute amicably.

7.2 if the dispute is not capable of being settled between the Parties amicably, such dispute shall be elevated to the Senior Management/Executive or their duly designated representatives for mediation purposes.

7.3 Should the dispute, despite such mediation remain unresolved for a period of 30 (thirty) days after being so referred, either Party may declare such dispute a formal Intergovernmental dispute by notifying the other Party of such declaration in writing, in which event the Parties will follow the procedure as outlined in the Intergovernmental Relations Framework Act, 2005 (Act No 13 of 2005).

8. BREACH

- 8.1 Should the Municipality breach any or all of the conditions as set out in this Agreement, and fail to remedy such breach within seven days of receiving written notice from the Department requiring it to do so, the Department, without detriment to any other remedy which may be available to it in law shall be entitled to cancel this Agreement and to claim back all funds paid to the Municipality with interest.
- 8.2 The Municipality shall not be entitled to cede, assign or otherwise transfer any of its rights and obligations under this Agreement.

9. GENERAL

- 9.1 This Agreement constitutes the entire Agreement between the Parties pertaining to the Project and no amendment, alteration, addition or variation of any right, term or condition of this Agreement shall be of any force or effect unless reduced to writing and signed by both Parties.
- 9.2 The Municipality shall not be entitled to cede, assign or otherwise transfer any of its rights and obligations under this Agreement.
- 9.3 If any of the clauses of this agreement or annexures thereto are found to be invalid or not binding on the Parties, such finding will not affect the validity of this agreement and the parties agree to be bound by the other provisions of this agreement.

ANNEXURE E
Page 9 of 9
DAY

SIGNED AT ON THE
OF.....2017

THE DEPARTMENT

(Herein represented by
Mr. T Mguli in his capacity as
Head of Provincial Department
of Human Settlements, duly
authorized thereto)

AS WITNESSES:

1.

2.

SIGNED AT ON THE DAY
OF.....2017

THE MUNICIPALITY

(Herein represented by
.....in
his / her capacity as
.....
who warrants his/her authority
to do so)

AS WITNESSES:

1.

2.