



WORKSHOP TO GENERATE A VISION OF THE URBAN LAND SECTOR BY 2020

Report prepared for Urban LandMark by Matthew Nell &
Associates (Pty) Ltd



Urban LandMark

MAKING URBAN LAND MARKETS WORK FOR THE POOR

May 2007

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1 Introduction

A workshop was undertaken by Urban LandMark to generate a vision of the urban land sector in 2020, a vision with significant relevance to stakeholders in the private, public and civil society sectors. The participants¹, as well as those individuals invited but who did not attend, can be seen in Annexure 1 attached. The workshop was facilitated by Matthew Nell and Ros Gordon of Matthew Nell & Associates.

The workshop comprised of the following sessions:

- Purpose of the workshop;
- Input presentation - trend analysis;
- Visioning - dominant dimensions of the urban land sector;
- Visioning - trend analysis;
- Visioning - key interventions; and
- Summation and closure.

The discussions held in respect of each session are set out below.

2 Purpose of the Workshop

The purpose of this session was to introduce the participants and to ensure that they had a clear understanding of the purpose of the visioning session as well as what was meant by “visioning”.

Mark Napier, Programme Director of Urban LandMark, welcomed the participants and provided an overview of Urban LandMark’s work. He indicated that Urban LandMark was set up in May 2006 with two years of funding from the UK’s Department for International Development. Urban LandMark is intended to play a short-term, catalytic role so as to make urban land markets work better for the poor.

The participants then introduced themselves and indicated their connection to land issues. Matthew Nell explained that visioning is a way of defining and focusing on a desirable future. He indicated that there are two interpretations of visioning: one is to project what the future will look like, and the second is identifying how the future can be changed. He indicated that the purpose of the workshop was to attempt to do both. He indicated that the aim of the vision that Urban LandMark is developing is to create a platform to inform and encourage future actions.

3 Input Presentation - Trend Analysis

The purpose of this session was to develop a perspective on the key dimensions of the urban land sector and their likely status in 2020.

A presentation on critical factors impacting on a vision for the urban land sector in South Africa was made by the facilitators. This presentation summarised the contents of a background document that had been circulated prior to the workshop and covered the following:

¹ Participants invited were individuals who are active in the land sector.

- Historical context of urban land ownership in South Africa;
- Status quo on urban land in South Africa;
- Urban land visions in South Africa;
- Land ownership patterns;
- Urbanisation and population trends; and
- Trends in land prices.

Comments made in respect of the presentation were as follows:

- The extent of public land and how it is used is a key dimension and needs to be addressed. It is important to understand the interface between markets in urban land and non-market uses of land. This refers to the interaction between public use of land and how it interfaces with private sector markets.
- What is happening in the CBD with the conversion of office to residential space is resulting in critical land use challenges, particularly in respect of the fact that there are no parks, clinics etc. Housing needs to be seen as a component of an integral whole and it is not sufficient to provide one component and not the others.
- There is a need for commercial land at all levels. There is also a commercial ladder, which is critical. Commercial space needs to be created from big shopping centres to small stores (Spazas).
- Land use planning gets driven by residential planning. There is often no sense in municipalities of the performance of a land as a social and economic asset, how it performs and what the best use is in a current and long-term framework.
- It was felt that there is no land use policy in South Africa in the form of a singular statement. However, there is a land use policy as depicted through a range of state interventions, including restitution. There is also a collective intention depicted in a range of state interventions to alter current ownership patterns.
- The market (including individuals) operates in a certain way. This in turn influences how individuals respond to it. For example, informal settlements are a way of queuing for housing or the establishment of a right to be in the city. It is important to understand this as the response of individuals, households and citizens. Markets therefore impact on, and also reflect the way in which, people structure themselves.
- In South Africa, significant proportions of society do not see land as a marketable commodity but as a family (social) asset that is not going to be sold. Many poor families have a multi-nodal investment focus in respect of property. This impacts fundamentally on land as a commodity and how land markets (particularly at the lower income end) work.
- In South Africa, informal transactions and unauthorised building are common, and these activities are not being recorded.

4 Visioning - Dominant Dimensions of the Urban Land Sector

Participants were asked to note down the dominant dimensions of the urban land sector in South Africa. A discussion was held on the dimensions identified by the participants. Arising out of these discussions, the following were the dominant dimensions identified:

- Macro economic policy;
- Law and regulations;
- Urban policy;

- Planning;
- Administration;
- State interventions;
- State capacity;
- Private sector capacity;
- Citizenry/participation;
- Social;
- Tenure;
- Wealth patterns;
- Inequality; and
- Existing polarised spatial patterns.

Table 1 below sets out a summary of the comments made during the discussion with respect to each dimension.

Table 1: Dominant dimensions for the urban land sector in South Africa

Dimensions	Issues/Comment
Macro economic policy	<ul style="list-style-type: none"> ▪ Market booms and slumps: Currently the market is booming. This is not necessarily a good thing as increasing prices mean that first-time owners are increasingly not able to access the market. ▪ National macro economic policy: National economic policy (for example, AsgiSA) does not recognise that townships have markets that contribute to the economy. ▪ Wealth of the state: South Africa has a large housing budget. We have a strong and wealthy state that has the right intentions. ▪ Scale: The scale of the problem when looked at internationally and given that South Africa is a wealthy state is not insurmountable.
Law and regulations	<ul style="list-style-type: none"> ▪ Legal framework: The legal framework is outdated.
Urban policy	<ul style="list-style-type: none"> ▪ Policy informed by patronage: In any democracy, people who are elected would want to defer to those who elected them. Housing policy is not working for those people. ▪ Public provision gap: Public provision is a polariser which is not consistent with the economy. ▪ Unsustainable current reality: The way in which we are addressing access to land by providing households with a 250m² stand is not sustainable. It is creating high expectations and not taking into account what is physically and politically possible.
Planning	<ul style="list-style-type: none"> ▪ The planning framework is problematic and inappropriate.
Administration	<ul style="list-style-type: none"> ▪ Administrative systems are not coping.
State interventions	<ul style="list-style-type: none"> ▪ Public land: Availability of public land is limited. There is a mismatch between public provision of land and the market. The state owns a lot of land and what it does with it potentially has a huge impact. ▪ Proportion of state rental stock: There is a decrease in affordable public rental stock. ▪ Inclusive cities: Cosmo City is a way in which the government intervenes to encourage people to develop in an integrated manner. ▪ Land supply to the poor: There is a need to negotiate with government to hand over private land to the poor. ▪ Supply side interventions rather than demand side: Over the years the focus has been on the supply side.
State capacity	<ul style="list-style-type: none"> ▪ State capacity is problematic.
Private sector capacity	<ul style="list-style-type: none"> ▪ Private sector capacity is good but is not focused on the poor.
Citizenry/ participation	<ul style="list-style-type: none"> ▪ Communities should be consulted.
Social	<ul style="list-style-type: none"> ▪ Public land rights: One cannot look at urban land only from a market

Dimensions	Issues/Comment
	<p>perspective; there is a need to also take into account public land right issues. The challenge is to ensure that they interact constructively.</p> <ul style="list-style-type: none"> ▪ Social drivers: These are functions that make people act in the urban land sector. ▪ Levels of interaction: The State acts in respect of macro social issues, but markets act at an individual level. ▪ Social functions: Social functions are not adequately recognised by market players and the state.
Tenure	<ul style="list-style-type: none"> ▪ Changing perspectives: There are changing perspectives of tenure. ▪ Levels of ownership: Levels of ownership have increased significantly over the last ten years. ▪ Views of land: Many people do not see land as a commodity, as this view is still evolving.
Wealth patterns	<ul style="list-style-type: none"> ▪ The wealthy act cumulatively as a group and they shape the economy in a certain way. The private sector is therefore an important player in the market.
Inequality	<ul style="list-style-type: none"> ▪ Inequality: The distribution of and access to land is unequal. ▪ Polarisation: Polarisation of wealth and poverty in the market is high. ▪ Access to wealth: There has been a shift in ownership patterns, but it has not resulted in access to wealth.
Existing polarised spatial pattern	<ul style="list-style-type: none"> ▪ Apartheid City: The apartheid city is dysfunctional and is a spatial manifestation of inequality. The market, left to its own devices, reinforces this dysfunctionality. ▪ Transportation and infrastructure: There is a trade-off between where citizens live and how much they pay for transport. The apartheid city prejudices the poor i.e. high transportation costs and poor access to infrastructure. ▪ Affordability of the urban form: Affordability and access to well located areas are critical for the poor.

The dimensions identified were then clustered into four key areas as follows:

- **Regulatory planning and administrative framework**, including the following dimensions:
 - Macro-economic policy;
 - Laws and regulations;
 - Urban policy;
 - Planning; and
 - Administration.
- **State interventions**, including the following dimension:
 - State interventions.
- **Capacity**, including the following dimensions:
 - State capacity;
 - Private sector capacity; and
 - Citizenry/ participation.
- **Existing patterns**, including the following dimensions:
 - Social;
 - Tenure;
 - Wealth patterns;
 - Inequality; and
 - Existing polarised spatial patterns.

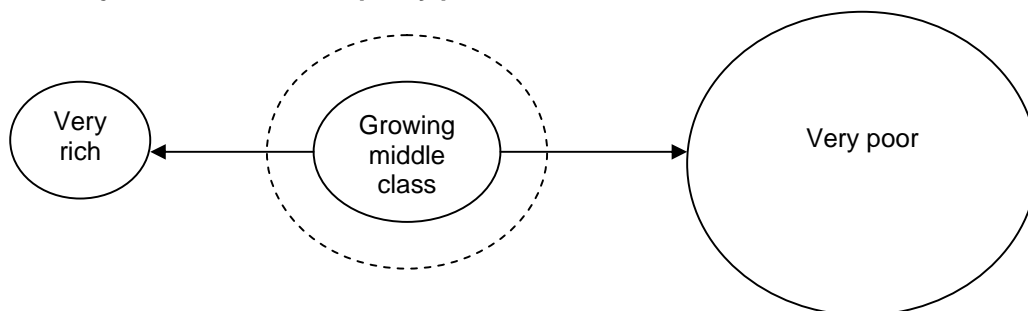
5 Visioning - Trend Analysis

A discussion was held on the key trends relating to the dimensions identified above. The points below summarise the discussion held.

Existing patterns:

- It is envisaged that the current pattern in terms of inequality and polarisation as it has manifested spatially and in wealth terms will continue.
- There will be increasing pressure on government land.
- There will be a move away from greenfield developments to a greater focus on the developed of existing lands (brownfields), for example, land in the inner cities.
- Entry into the middle-class will expand significantly. However, there will continue to be a huge number of individuals who remain poor. Access to urban amenities and wealth will therefore increase for an increased minority but will not improve for the majority of the poor, and access for a large proportion of the poor may even worsen.
- Public expenditure will follow private sector investment with nodal centres developing in high- and middle-income areas, for example, Gateway in Durban and Sandton and Westgate in Johannesburg. These nodal centres will alter the property markets in these places and will result in increased social and spatial dysfunctionality in the city as a whole.
- While there will be a growing middle sector, there will continue to be strong polarisation of the very rich and very poor. Care needs to be taken, however, as to how the poor and the rich are defined.

Diagram 1: Projected economic inequality pattern in South Africa



- Connections between the very rich and very poor are narrow in that there is a reinforcing tendency among the wealthy to establish exclusive arrangements and the poor to become more marginalized:
 - The very poor in the form of domestic workers are no longer occupying units within the residential areas of the rich;
 - The rich are increasingly closing their neighbourhoods and gating their communities, firstly as a result of the high levels of crime but secondly to protect land values; and
 - Privatisation of services is increasing, for example, private health, education, security, municipal services etc.
- This is increasingly being supported by a nodal pattern of commercial and retail investment, which is starting to reinforce and strengthen the spatial manifestation of polarisation.
- Filtering is occurring, meaning that as people move out of areas they create space for new people to move in. This does open up urban opportunities. However, often lower-income households need a different social and economic infrastructure to the people who used to

live in the vacated areas. Unless these migrations are handled properly, there is the risk of substantial urban blight. This is already evident in many cities (Yeoville, Hillbrow, Bertrams etc). It is important that the right of public space is protected in neighbourhoods that are going through transition.

- The urban boundary limits the supply of land and pushes up land values.
- More and more people are buying Unit Trusts and thereby sharing in land (property) ownership albeit via derivative instruments. The collapse of land prices in declining areas means that wealthy or cash-rich investors are able to purchase properties in those areas (for example, funds are now buying up properties in the inner city). This may further concentrate land ownership by corporates and the wealthier sectors of society.
- There is a need to separate out land as a place and land as wealth creation. Through the subsidy, people gain access to land as a place; it does not, however, provide them with access to wealth. It is very difficult for the poor to generate wealth from their properties. For example, households receive the housing subsidy but then become “locked in” as there is no product available for them to trade up. This is the result of the lack of a housing product in the R45 000 to the R200 000 range. The subsidy, therefore, focuses on access to place and not wealth creation, which means that inequality is not being significantly impacted upon.
- Two decades of under-investment in infrastructure will begin to have significant consequences on different areas and on the economy. It will limit the extent to which Brownfield development can occur and the scale at which Greenfield investment can occur. The current plan to improve infrastructure could address this issue.
- Low-income households are going for smaller accommodation, but in a number of different locations (multi-nodal), with the aim of tapping into different amenities and returns on investment.
- There will be a massive increase in people power where people will start to demand access to urban amenities. A more confrontational relationship will grow between the state and the poor who are protecting their right and access to urban amenities.

Tenure patterns:

- At the moment, there is strong focus, in terms of the dual economy, on bridging the gap through ownership. However, it is only likely to affect the top end of the poor, while the majority of the poor remain unaffected.
- The regulatory system will increasingly become ineffective and will create continued polarisation between the rich and the poor; the rich will have their rights protected through the formal systems and the poor will continue to rely on informality. Unplanned development and informal transactions will continue to apply to the vast majority of urban dwellers.
- Households cannot transfer land because of the rates that are owed on it, and they are not able (or willing) to pay these.
- The polarisation between rich and poor will result in the state having to make increasingly difficult choices, as it will be forced to choose sides between the rich and the poor. The choice will be whether to maintain an investment environment versus creating place for the poor in key urban locations.
- There will be increased formalisation and upgrading of the former townships and nodes. This will result in formalising lower and middle-income households.
- As the rich move out towards the periphery, this will impact on the people living in informal settlements. Depending on their accessibility to these nodes, some will win and some will lose. For example, Mamelodi is a double winner and Orange Farm a double loser.
- Traditional tenure provides protection but is only maintained if someone stays on the property. Because no equivalent rights exist in urban areas, there is an incentive for

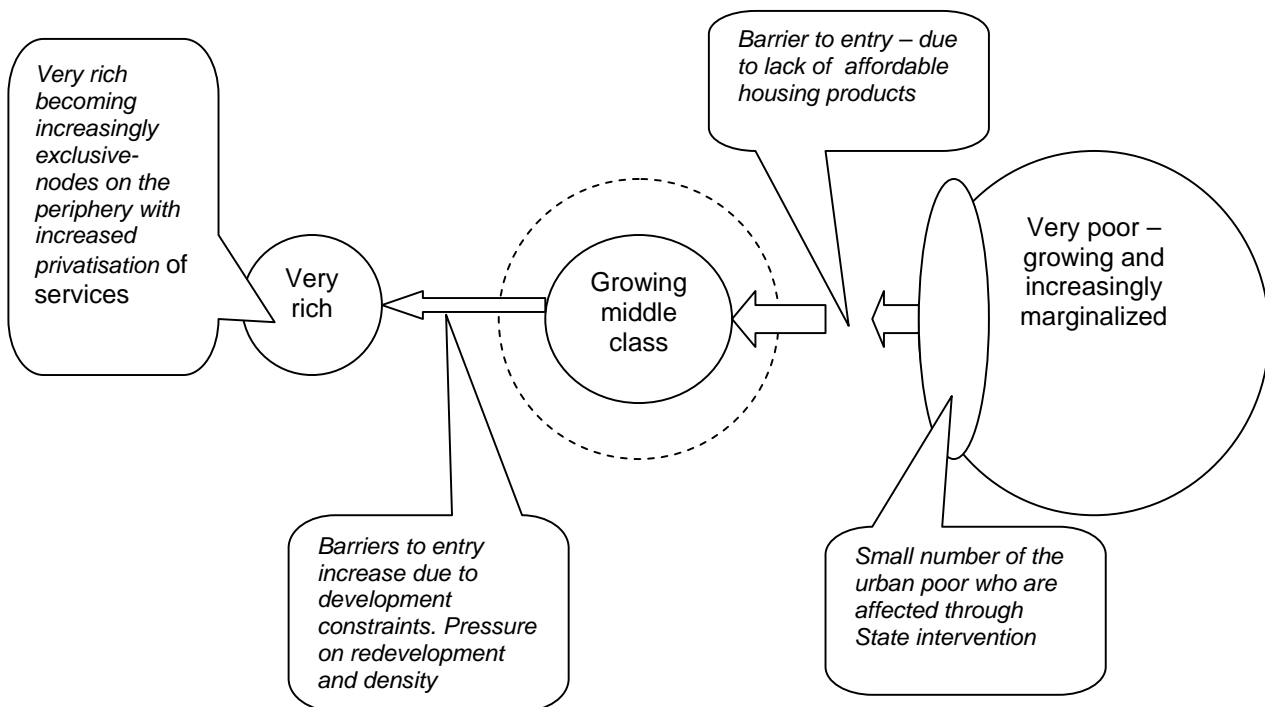
households to maintain this right. However, it often locks people onto their land, thereby contributing to family fragmentation and multi-nodal residential patterns.

Home Ownership:

- Currently, the private sector is delivering some 70,000 residential units per annum, mostly in upper- to middle-income areas, and the state is delivering about 100,000 units per annum.
- There is likely to be a decline in the delivery of new affordable housing stock as:
 - The subsidy levels for new stock coming onto the market have less impact;
 - The land price portion of affordable housing is becoming prohibitive; and
 - The price of building materials are also becoming prohibitive.
- There are likely to be less and less options for the poor in respect of ownership. This will result in increased:
 - Demand for rental accommodation;
 - Overcrowding in existing accommodation;
 - Pressure for informal settlements;
 - Demand for backyard accommodation; and
 - Sub-letting in flats.

The diagram below provides a summary of the trends as identified by the participants.

Diagram 2: Land sector scenario for South Africa by 2020 in line with the status quo



6 Visioning - Key Interventions

The purpose of this session was to develop a perspective on the key interventions to be undertaken to increase access of the poor to urban land and to make markets more responsive to the poor.

A discussion was held identifying the interventions participants would like to see in order for the above scenario to be changed. The points below summarise the discussion held.

- (1) **Access to social amenities should be improved:** Public transportation should become cheaper and more effective so as to allow better access to social facilities, no matter where people live.
- (2) **Formalisation of informal settlements:** Informal settlements should 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.
- (3) **Active promotion of informal economic activity:** The second economy should be promoted. Regulatory control should be reduced and active promotion undertaken including training, finances, access to communication and business support facilities.
- (4) **Release of private and state land to the poor:** A significant portion of good quality urban land should be assembled and provided for the poor. This should include state land and expropriated private land.
- (5) **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.
- (6) **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 self-build. 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.
- (7) **Investment in marginalized areas:** There should be focused private and public sector investment in places that are currently marginalised 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.
- (8) **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 achieve reduced polarisation. It 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 etc, skills development, technology processes that are appropriately designed etc.
- (9) **Revised Housing Subsidy:** There should be an increase in the subsidy allocation and a change in the strategy where better quality houses are delivered by the poor themselves.
- (10) **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 seek to act boldly and undertake interventions that change the attitude of wealthy land owners towards integration, so that they may act in a more socially responsible manner.

- (11) **Encourage participation of the poor in city processes:** The decision-making process in urban areas should encourage increased participation by the poor.
- (12) **A derivatives mechanism should be developed:** A derivatives mechanism that enhances the ability of the poor to access land and create wealth through the growth in the value of urban property should be developed.
- (13) **Well structured, well informed urban management systems:** Effective systems that are simplified so that informal transactions can be brought into the formal land transfer process should be developed, for example, using computerised linkages located within service centres in low income areas.

7 Summation and Closure

Lauren Royston thanked the participants for their contributions and indicated that the discussions provided a sense of the kind of desired outcomes that people want to see in the urban land sector by 2020.

She indicated that the next step was to develop a workshop report that records the discussions. This will then become a resource document, which is worked through to a vision statement. This will then be documented and circulated for comment.

Furthermore, the visioning process is not a one-off event. There will need to be more conversations with different stakeholders into the future.

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
Moegisen Hendricks, DAG
Lauren Royston, Independent Consultant: Development Works
Danya Pedra, Urban LandMark
Mark Napier, Urban LandMark
Kecia Rust, Finmark
Stephen Beresford, Independent Consultant: SPC
Lerato Ndjwili Potele, Urban LandMark
Ahmedi Vawda, Independent Advisor
Kate Philip, DIFID
Rosy Mashimbye, Utshani
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
Neil Gopal, SAPOA
Sue Lund, Transnet, NPA
Nhlanhla Mjoli-Ncuba, Presidency
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
Taffy Adler, Johannesburg Housing Company
Nomonde Mapetla, EAAB
Elna Moolman, Standard Bank
Louis van der Walt, DoH
Pierre Venter, Banking Association of SA
Willie Marais, Institute for Estate Agents
David de Groot, World Bank
Oupa Bodibe, Naledi
Glen Thomas, DLA
Kate Philip, DFID
Frank Enslin, Group 5
Stuart Wilson, CALS