

STELLENBOSCH MUNICIPALITY: INCLUSIONARY ZONING POLICY

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TABLE OF ACRONYMS, TERMINOLOGY AND DEFINITIONS

ACRONYMS	
ATC	Adam Tas Corridor
ATC: LASDF	Adam Tas Corridor Local Area Spatial Development Framework
BCI	Building Cost Index
CAHF	Centre for Affordable Housing Finance
CEF	Capital Expenditure Framework
CPI	Consumer Price Index
DC	Development Charges
DEA&DP	Department of Environmental Affairs and Development Planning
FLISP	Finance-linked Individual Subsidy Programme
FSC	Financial Services Charter
HOA	Home Owners Association
IUDF	Integrated Urban Development Framework
NDP	National Development Plan 2030
LBF	Land-based financing
LUPA	Western Cape Land Use Planning Act 3 of 2014
LVC	Land value capture
MPBL	Municipal Planning By-Law
MSDF	Municipal Spatial Development Framework
NT	National Treasury
PHSHDA	Priority Human Settlement Housing Development Area
SHI	Social Housing Institution
SHRA	Social Housing Regulatory Authority
SM	Stellenbosch Municipality (WC024)
SPLUMA	Spatial Planning and Land Use Management Act No 16 of 2013
WCG	Western Cape Government

1. GENERAL DEFINITIONS AND TERMS OF CLARIFICATION RELATED TO THE INCLUSIONARY ZONING POLICY CONTEXT

“Additional land use rights (obtained through development permissions)” refers to any development permission that increases or enhances allowable bulk or development yield over and above the existing rights, including the removal of restrictive title deed conditions (WCG 2022).

“Affordable housing” as defined by National Government, refers to affordable housing or “gap housing” as housing that serves households with a total income of up to R22 000 per month. The Financial Services Charter (FSC) defines the affordable housing target market to be the approximate cost of bonded entry-level housing in the country, capable of being mortgaged, adjusted annually by the midpoint of the average Consumer Price Index (CPI) and the average Building Cost Index (BCI). The Banking Association of South Africa annually updates this measure and makes this available on its website. However, affordability can fluctuate depending on the context and for the purposes of municipal inclusionary housing policies, affordability can be determined by using the aforementioned sources, as well as considering the outcomes of housing market studies for particular settlements. Also refer to “gap market/housing” below (WCG 2022).

“Affordability preservation” - the purpose of inclusionary housing is to increase the stock of well-located affordable housing over the long term. If such housing is not restricted from being sold or rented in the open market following the first generation of allocation, the purpose is defeated, while public value profits a few. Preserving the affordability of inclusionary units over the long term is therefore a key policy concern (WCG 2022).

“Density bonus” refers to a zoning tool that allows developers to increase height and/or bulk in a project by allowing building heights or a floor factor/floor space greater than the zoned maximum as well as relaxations of related requirements, such as parking, in exchange for a public good namely affordable housing (also referred to as inclusionary housing). This tool is used primarily for projects that include the development of housing units. The added density is intended to compensate the developer with additional revenue from the construction of additional dwellings. This recognises the added costs of development or differences in profit margins between market rate units and the inclusion of below-market rate units or unprofitable amenities. The result is development that provides additional density and public benefits without direct public funding. The density bonus is a one-time, in-kind obligation in which the private sector developers’ cost of capital investment in affordable housing can be offset by granting additional, monetizable development rights, greater than the zoned maximum for a specific development site. (WCG 2022).

“Development charges” also known as an impact fee, is a charge that a local government imposes on the developer of a new development project to pay for all or a portion of the costs to the public sector of providing public services to the new development. Development charges have been used by local governments to help offset fiscal burdens created by new developments related to municipal infrastructure and provision of public services such as sewer and wastewater management treatment systems, road networks, parks and so on. Development charges are calculated by assessing the costs that the development would impose on the current municipal infrastructure network and what additional capacity or infrastructure would be required to ensure that the new development is adequately serviced. The fee is often able to be paid either in kind or in cash (NT 2017).

“Finance-linked Individual Subsidy Programme (FLISP)” is a housing subsidy for first-time home buyers to assist with purchasing a property. The subsidy can be used on its own or in combination with mortgage and non-mortgage finance facilities, making it more affordable to purchase a property (plot and/or house). Households with an income between R3 501 to R22 000 may qualify for the FLISP subsidy if they meet all the criteria. These thresholds are reviewed from time to time. The subsidy amount depends on the income of the applicant and ranges between R27 960 – R121 626 (WCG 2022).

“Gap market/housing” refers to households falling into the portion of the market that earn too much to qualify for full grant housing assistance, but too little to be able to afford a bond of sufficient size to purchase an entry level market house. The gap housing market is understood to fall within the broader affordable housing market. Also refer to affordable housing above (WCG 2022).

“Housing/property ladder” refers to where there are “progressive stages of securing adequate and improved housing. This encompasses moving from informal to formal housing, and within the formal realm, from renting to owning and from owning a small house/flat to owning a larger and/or more valuable property” (WCG 2022).

“Land-based financing” (LBF) as defined by National Treasury (Cities Support Programme 2017) is a mechanism to be primarily used to maximize and unlock the value of government assets, advance a city’s spatial restructuring goals, and promote transit orientated development. This mechanism refers to policy and regulatory mechanisms that allow the public sector to participate in the appreciation of real estate values resulting from public, and at times, private improvements. These improvements may make land parcels more accessible in the case of transit investments, or may prepare land (e.g. proactive zoning through the use of an overlay zone such as the Adam Tas Corridor (ATC) overlay zone) for private sector

development through the provision of network infrastructure (such as water connectivity and sewerage access) and additional public amenities (such as public open space, hospitals, and schools). Mechanisms associated with LBF include special assessment districts, tax increment financing, development charges, leveraging the value of municipal real estate, sale of development rights, density bonus, inclusionary housing, land readjustment schemes and so on (NT 2017; OECD 2022).

“Land value capture” (LVA) refers to a policy approach that enables communities to recover and reinvest land value increases that result from public investment and government actions (i.e. planning permissions). It is rooted in the notion that public action should generate public benefit. When used in conjunction with good governance and urban planning principles, land value capture can be an integral tool to help governments advance positive fiscal, social, and environmental outcomes. Well-known instruments include land banking, land readjustment, land leasing, inclusionary housing, transfer of development rights, charges on building rights, special assessments, impact fees, land value taxes, and exactions (OECD 2022).

“Leveraging the value of municipal real estate” refers to municipal land as an asset which can be leveraged for improved strategic use. Transacting in municipal land can take the form of sales, auctions, leases, or any other conveyance that sees the rights and entitlements to municipal owned property transferred at below market cost value in exchange for a policy benefit required by the municipality. Depending on the municipality’s goals, legal, and regulatory framework, and institutional capacity, it could decide to convey a parcel of land for a fee, receive an in-kind payment of infrastructure in lieu of cash, or participate as an equity partner in the development (NT 2017).

“Municipality” means Stellenbosch Local Municipality;

“Open-market housing” refers to housing sold or rented on the open market (willing buyer and seller) with no state assistance, with or without a mortgage (WCG 2022).

“Overlay zone” means a category of zoning applicable to a defined area or land unit, which stipulates additional development parameters that may be more or less restrictive than the base zone as defined in the Stellenbosch Municipality Zoning Scheme Bylaw (2019).

“Planning permissions” refers to authorisations given in response to applications made to a competent authority to develop land (WCG; 2022).

“Priority development areas” as defined in the Stellenbosch Municipal Spatial Development Framework (MSDF) and subsequent Capital Expenditure Framework (CEF) refers to the urban functional areas of Stellenbosch, Klapmuts, and Franschhoek. These areas are priority development areas where the municipality intends to focus investment in order to achieve the goals of the MSDF as well as other strategic documents, namely the Adam Tas Local Spatial Development Framework (ATC:LASDF) and Development Guidelines (2022).

“Set-aside requirement” refers to the number of inclusionary housing units that must be provided in a development according to the size of the development or in relation to the additional rights given (WCG 2022).

“Settlement restructuring” refers to the need to transform i) the apartheid form of our urban settlements where the poorest live the furthest away from opportunities – spending the most time and money accessing these opportunities or being caught in spatial poverty traps – and residential areas are defined

and separated by class and race ii) the unsustainable modernist form of our settlements where settlements are designed with the automobile as the main form of movement and land uses are monofunctional. Typically, settlement restructuring is planned for and implemented through investment in socially integrated, mixed-use infill development on well-located land, along with densification, intensification of land uses, public transport and non-motorised transport and taking high quality facilities and amenities to marginalised township areas (WCG 2022).

“Social housing” refers to rental housing targeted at households earning R1 850 – R22 000 per month. Social Housing is governed by the Social Housing Act, 2008 (Act 16 of 2008) and the policy prescripts of the National Housing Code (WCG 2022).

“Spatial apartheid” refers to “the legacy of apartheid – communities segregated from one another based on race (and class) with so-called black and coloured people relocated to less well-resourced urban areas or prevented from accessing or owning property in these areas – as well as the impacts of the legacy of the modernist approach to city building based on the automobile and functional separation of land uses. This has left South Africa with cities that are inefficient, inequitably developed and environmentally, socially, and fiscally expensive to live in and to manage. It has also meant that discrimination has been structured into settlement patterns” (WCG 2022).

“Spatial transformation” refers to a national focus on transformation of cities as envisaged by the NDP 2030. Namely ensuring that a larger proportion of the population should live closer to places of work and that travel distances and costs should be reduced, especially for poor households. Urban systems are key levers to overcome the debilitating impact of distance and separation on the fortunes of the individual, household, business, and the state, as well as the environment and the resilience of the system as a whole.

These include both hard (physical structures and networks) and soft (such as governance systems including urban management and land use management) systems that facilitate and enable compact cities and transformed urban spaces of social and economic inclusion on an equitable basis. The equitable distribution of resources within cities, as well as building systems that facilitate affordable and safe access to the full ambit of resources that makes urban living productive, are critical to spatial transformation. The South African Local Government Association (SALGA) defines spatial transformation as the overhaul of an inherited segregated spatial dispensation and preventing it from re-establishing itself in new forms of post-apartheid class and income-based spatial segregation and spatial inequality. In considering how to measure whether we are spatially transforming our settlement, SALGA identifies four themes: proximity and access; housing and basic services; integration and inequality; safety and amenity; and agency and governance (WCG 2022).

“Spatially targeted areas” refers to “a built environment investment prioritisation approach where specific areas are designated for investment or specific land uses, within an urban system, to achieve transformative development outcomes. Spatial targeting is an approach recommended by the National Development Plan 2030” (WCG 2022) and the Integrated Urban Development Framework (2016).

2. PURPOSE OF THE INCLUSIONARY ZONING POLICY FOR STELLENBOSCH MUNICIPALITY

2.1 The purpose of this policy document is to support Stellenbosch Municipality and other key role players in delivering more high-quality affordable housing (also referred to as inclusionary housing) within mixed sustainable communities by using all the municipal planning tools (regulations, mechanisms, & incentives) available to them.

2.2 The policy document further outlines the affordable housing challenge that needs to be met in the Stellenbosch Municipality, and provides information on how the existing municipal planning tools operate and recommendations on how they need to change to assist in delivery.

3. OBJECTIVES OF THE INCLUSIONARY ZONING POLICY FOR STELLENBOSCH MUNICIPALITY

3.1 To increase the supply of affordable housing (also referred to as inclusionary housing) in well-located and priority development areas, creating a mix of income groups across new and infill developments in Stellenbosch Municipality promoting social and economic integration (also referred to as settlement restructuring).

3.2 Using the municipal spatial planning, land use planning system, and land-based financing tools and their mechanisms to leverage and incentivize land value gains in spatially targeted areas for the creation of public goods (i.e. affordable housing), enabling well-performing settlements (i.e. integrated, inclusive, resilient, efficient) in order to address current and historical spatial imbalances/inequalities (also referred to as spatial apartheid).

3.3 Achieve a more inclusive, efficient, and effective municipality by providing a wide choice of quality affordable housing to meet the needs of the community, widening the opportunities for homeownership, and creating flexibility and choice of tenures and price ranges for those who rent and seek security of tenure (also referred to as housing/property ladder) as envisioned by its approved spatial policies.

3.4 Facilitate and grow strong partnerships with the private sector in terms of delivering more quality affordable housing.

4. LEGISLATIVE FRAMEWORK OF THE INCLUSIONARY ZONING POLICY FOR STELLENBOSCH MUNICIPALITY

4.1 This document should be read in conjunction with the following documentation namely; Western Cape Government Inclusionary Housing Policy Framework (November 2022), Stellenbosch Municipality Land Use Planning By-law, Stellenbosch Municipality Zoning Scheme By-law, Stellenbosch Municipal Spatial Development Framework, Adam Tas Local Area Spatial Development Framework and Development Guidelines; Adam Tas Local Area Overlay Zone, Stellenbosch Municipality Development Charges Policy; Stellenbosch Municipality Rates Policy; Municipal Fiscal Powers and Functions Act (2002), and the draft Municipal Fiscal Powers and Functions Amendment Bill (2020).

4.2 The details of the municipal planning tools identified in this policy, reflect the position as at May 2023, and will be subject to change. Accordingly, the document will be robust to changes in future policies and some parts are likely to evolve which will necessitate periodic updates.

5. PRINCIPLES OF THE INCLUSIONARY ZONING POLICY FOR STELLENBOSCH MUNICIPALITY

5.1 Inclusionary zoning must be understood as a planning system tool (also referred to as a land use regulatory mechanism) used to create affordable housing and foster social and economic inclusion through the regulation of private development. Therefore its use and powers are guided by the broader understanding of the power to regulate land use for the public good (i.e. affordable housing).

- 5.2 The goal of inclusionary zoning is achieving racially and/or socio-economically integrated communities by confronting and addressing the exclusionary impact of development, which in many contexts has often been facilitated by planning and land use regulation (also referred to as spatial transformation).
- 5.3 Inclusionary zoning is one of the land and planning tools where spatially targeted financing (also referred to as land-based financing) leverages the benefits of agglomeration, increasing land demand, infrastructure investments, and planning decisions that drive up the value of urban land. Land-based financing is based on the recognition that property owners and developers benefit from this rising value and the possibility for local government to capture some of the rising value for the public good (also referred to as land value capture).
- 5.4 The policy provides the scope for securing affordable housing through the regulatory system of development planning permissions to oblige property owners and developers to provide affordable housing, for sale or rent, within the new residential and mixed-use developments (also referred to as set-aside requirement) in well-located and priority development areas as defined by the municipal spatial development framework (MSDF) and/or other strategic spatial policies (namely the Adam Tas Local Spatial Development Framework and Development Guidelines) and the associated urban management mechanisms (such as the Adam Tas Local Area Overlay Zone).
- 5.5 The policy provides scope for securing affordable housing through the land-based financing and planning systems to oblige property owners and developers to pay developer contributions (also referred to as impact fees or development charges), and/or additional land use rights (benefits obtained through development permissions), as well as offsetting the cost by one or more incentives, such as a density bonus (which includes parking reductions or other planning parameters variances), providing and leveraging public land leasing and land

sales, discounting the payment of developer contributions, expedited planning processes through an overlay zone mechanism (i.e. Adam Tas Local Area Overlay Zone) and/or any other land-based financing and planning system mechanisms deemed appropriate by the Municipality.

5.6 It is not the intention, in this mechanism, that a housing subsidy is made available to assist the property owners and developers to meet this affordable housing contribution, but that the cost of the contribution is absorbed in the land price paid for the land and in the award of additional land use rights and associated enabling provision (i.e. incentives) to offset the costs of such a contribution.

6. INCLUSIONARY ZONING IN STELLENBOSCH MUNICIPALITY: REGULATIONS, MECHANISMS, AND OFF-SET INCENTIVES IN SPATIALLY TARGETED AREAS

The following applies specifically within the Municipality:

DEFINITIONS

Inclusionary zoning

6.1 Inclusionary zoning, is a planning system tool used to secure affordable housing (alternatively referred to as inclusionary housing) within private residential and mixed-use developments, through the regulatory system of development planning permissions to oblige an applicant to provide affordable housing, for sale or rent, within the new residential and mixed-use development in well-located located and priority development areas as defined by the municipal spatial development framework (MSDF) and/or other strategic spatial policies (such as the Adam Tas Local Spatial Development Framework and Development Guidelines) and the associated urban management mechanisms (namely the Adam Tas Local Area Overlay Zone).

- 6.2 The applicant should pay developer contributions, and/or adhere to the additional land use rights obtained through development permissions, and the municipality will reasonably offset the cost by means of using one or more incentives, such as a density bonus (which includes parking reductions or other planning parameters variances), providing and leveraging public land leasing and land sales, discounting the payment of developer contributions, expedited planning processes through an overlay zone mechanism (such as the Adam Tas Local Area Overlay Zone) and/or any other land-based financing and planning system mechanisms deemed appropriate by the Municipality.

Affordability

- 6.3 As a guide, households should not spend more than a third of their income on housing (also referred to as the premium to income ratio). The standard differentiates between renters with a premium-to-income ratio of 30% and owners with a premium-to-income ratio ranging between 30 – 35%.

Affordable housing

- 6.4 In the local context, affordable housing has traditionally been used to describe the “GAP market/Housing”. The “GAP market/Housing” refers to persons/households who earn in excess of R3 500 monthly household income and can therefore not qualify for a full government housing subsidy, but earn too little to qualify for a mortgage loan to purchase a property. The government ceiling for the “GAP market/Housing” is currently at R22 000 monthly household income.
- 6.5 The Financial Sector Charter (FSC) defines the affordable housing target market to be the approximate cost of bonded entry-level housing in the country, capable of being mortgaged,

adjusted annually by the midpoint of the average Consumer Price Index (CPI) and the average (Building Cost Index). The Banking Association of South Africa annually updates this measure and makes this available on its website for example the 2022 rate is determined as R27 200 monthly household income a month.

- 6.6 The findings of the Stellenbosch town housing market study (2022) reflect the undersupply of houses valued in the affordable (R300 000 – R600 000) and conventional (R600 000 – R900 000) market segments. The high-end market segment (R900 000 – R1.2 million) also appears to match the current demand and considering the urbanisation and migration trends expected and projected in this market segment, this segment is therefore included.
- 6.7 Based on the aforementioned standard definitions of affordability and the evidence gathered through the Stellenbosch housing market study, affordability in the Stellenbosch Municipality context refers to the following market segmentations – affordable (R300 00 – R600 000), conventional (R600 000 – R900 000), and high-end (R900 000 – R1.2 million).

Affordability thresholds estimates/examples using the ratios discussed above

- 6.8 As examples of the application of affordability thresholds, the following estimates can be derived based on some assumptions¹ based on the Stellenbosch housing market study:

¹ Assuming 7.75% interest rate, 20 year loan tenor, 30% premium to income ratio, 10% deposit and no subsidy (i.e. FLISP). There are cautionary notes which should be considered in the interpretation of the calculations, namely – 1) house purchases below R1.2 million avoid transfer fees, there are other transfer costs which can be applicable to the household and have not been included; 2) not all households purchase in the market segment they can afford as some may have additional funds from a once-off source, and some may have other competing expenses that prohibit them from spending the benchmark figure of 30% on housing; 3) Some households may be living in properties that they accessed either by purchase or inheritance or gift, that today they might not be able to afford to buy.

Market segment (residential property value)	Minimum monthly household income needed to purchase in this market segment	Maximum monthly household income needed to purchase in this market segment
Affordable (R300 000 – R600 000)	R7 300	R14 750
Conventional (R600 000 – R900 000)	R14 750	R22 200
High end (R900 000 – R1.2 million)	R22 200	R29 600

Table 1: Extract from Stellenbosch housing market study (source: WCGb, 2022)

6.9 The abovementioned affordability thresholds as evidenced in the Stellenbosch housing market study, accommodate the government-defined “Gap Market/Housing”, as well as the FSC affordable housing target market and the affordability threshold for Stellenbosch Municipality ranges between R3 500 and R27 200 (2022 FSC rates, to be updated yearly). The housing market study and its affordability threshold as determined should therefore be applied when updated every two years.

Well-located

6.10 Well located areas (such as suburbs, neighbourhoods, town centres, and activity corridors) are areas with good public transport and non-motorised transport, access to existing urban service, public and private education, health and social facilities, amenities, retail facilities, and work opportunities.

6.11 In the Stellenbosch context well-located areas are defined in the MSDF. These areas are defined as priority development areas (also referred to as growth nodes), and include namely the Stellenbosch town, Klapmuts, and Franschhoek. The settlements are further delineated by the adopted urban edges, and priority development areas focused on housing (i.e. social

restructuring zones; PSHDA's), intensification zones (i.e. mixed-use community and residential infill; strategic sites, projects and/or infill opportunities) and development corridors (including activity routes).

- 6.12 Based on the strategic spatial policies namely the Adam Tas Local Spatial Development Framework and Development Guidelines and the associated enabling urban management mechanisms (namely the Adam Tas Local Area Overlay Zone), the delineated areas are priority spatial targeting areas.
- 6.13 The listed priority spatial targeting areas are primarily identified for mandatory implementation of affordable housing provision through the inclusionary zoning mechanism, with alternative options requiring approval.

INCLUSIONARY ZONING IN STELLENBOSCH MUNICIPALITY: REQUIREMENTS FOR MANDATORY, SPATIALLY TARGETED, OR VOLUNTARY IMPLEMENTATION

Mandatory implementation with off-set incentives (primary option)

- 6.14 Inclusionary zoning is mandatory for all new development applications under the jurisdiction of Stellenbosch Municipality that request additional development rights from the municipality within their new residential or mixed-use developments.
- 6.15 Inclusionary zoning requirements are triggered by land development applications, as such, the requirement does not affect existing, approved land use rights.
- 6.16 The mandatory application of inclusionary zoning means that the property owner and developer are automatically required to include a portion of affordable housing units (also referred to as inclusionary housing or the set-aside requirement) as part of their new development within the well-located priority development areas as defined. The municipality

- therefore only grants approval for the development to take up additional rights if the set aside requirement will be met (i.e. the developer builds the affordable housing units as required).
- 6.17 New residential or mixed-use developments which include 20 dwelling units or more, are required to contribute a minimum of 20% of the total units to be targeted at affordable housing.
- 6.18 The affordable units can be for rental or ownership.
- 6.19 The affordable units are intended specifically for dwelling units and not student housing, community residential buildings, communes, hostels, or less formal residential. The dwelling units should be used for permanent residence and excludes any of the land uses associated with transient guests (i.e. home lodging, bed and breakfast, hotel, tourist accommodation establishment, tourist dwelling unit, etc.).
- 6.20 All affordable housing and associated conditions must be in place for not less than 30 years, or until repealed by a Council resolution.
- 6.21 Any off-set incentive packages contemplated as part of the set-aside requirement will be over and above the allowable development parameters as per the prevailing zoning defined in the zoning scheme by-law. As such, development parameters must be determined first, with off-set incentive packages added to that determination using the financial viability criteria.
- 6.22 The affordable housing contribution should be delivered on-site, and if demonstrated and deemed unfeasible an inclusionary housing agreement must be entered into to determine in-kind off-site or affordable housing fee (in-lieu) contributions.
- 6.23 When inclusionary housing is applicable, it will be implemented as a condition of approval (section 66.(1)(d)) of the Stellenbosch Municipality: Land use planning by-law) by the Stellenbosch Municipality. The Municipality may act against property owners and developers

who do not comply with the conditions for inclusionary zoning outlined in land use/development approvals, as with any condition of approval.

- 6.24 The priority development areas as identified by the municipal spatial development framework are Stellenbosch town, Klipmuts, and Franschoek, and fall within the delineated and adopted urban edges.

Spatially targeted implementation within an applicable overlay zone (primary option)

- 6.25 The implementation of inclusionary zoning may also occur in spatially targeted areas within the municipality, where an overlay zone has been designated and approved as part of the Municipality's zoning scheme by-law or where higher-density developments are encouraged by means of spatially specific policies or strategies in areas for urban infill, transit-orientated development, etc. These targeted areas normally have a well-performing housing market and public investment has been targeted to the area.
- 6.26 The mandatory application of inclusionary zoning in these instances means that the property owner and developer are automatically required to include a portion of affordable housing units (also referred to as inclusionary housing or the set-aside requirement) on-site as part of their development within the well-located priority development areas as defined. The municipality therefore only grants approval for the development if the developer builds the affordable units.
- 6.27 Inclusionary zoning requirements are triggered by land development applications, as such, the requirement does not affect existing, approved land use rights.
- 6.28 Inclusionary zoning is mandatory for all new development applications and when property owners and developers want to utilize the land use rights as applied by the approved overlay zone or spatial policy.

- 6.29 New residential or mixed-use developments which include 20 dwelling units or more, are required to contribute a minimum of 30% of the total units as affordable housing on-site or as defined by an approved precinct site development plan.
- 6.30 The affordable housing units can be for rental or ownership.
- 6.31 The affordable housing units are intended for dwelling units and not student housing, community residential buildings, communes, hostels, or less formal residential. The dwelling units should be used for permanent residence and excludes any of the land uses associated with transient guests (i.e. home lodging, bed and breakfast, hotel, tourist accommodation establishment, tourist dwelling unit, etc.)
- 6.32 All conditions for affordable housing will be in place for not less than 30 years, or until repealed by a Council resolution.
- 6.33 The inclusionary zoning parameters as defined in the Adam Tas Local Area Overlay zone, or any other similar overlay zone introduced by the municipality from time to time, are applicable. The Municipality may take action against property owners and developers who do not comply with the parameters as outlined in land use/development approvals, as with any condition of approval.
- 6.34 Based on the current approved strategic spatial policies namely the Adam Tas Local Spatial Development Framework and Development Guidelines, and the associated enabling urban management mechanisms (namely the Adam Tas Overlay Zone), the delineated areas are priority spatial targeting areas.

Voluntary implementation (alternative option)

- 6.35 The voluntary application of inclusionary housing means that affordable housing units are only required when the property owners and developers choose to utilise off-set incentive

packages provided by the municipality. Such incentive packages could include flexible development parameters or bonuses i.e. density bonuses. This approach is based on willing partners that agree to an mutually beneficial arrangement that will result in the delivery of affordable housing.

- 6.36 A property owner and developer developing below the threshold of 20 units, but who meets the criteria of inclusionary zoning, may still benefit from the off-set incentive packages associated with the option chosen.
- 6.37 The affordable housing contribution can be delivered on-site, in-kind off-site, or an affordable housing fee (in-lieu payment).
- 6.38 This approach will be assessed on a case-by-case basis and in alignment with the criteria and requirements as stipulated in the inclusionary zoning policy.

INCLUSIONARY ZONING IN STELLENBOSCH MUNICIPALITY: AFFORDABLE HOUSING CONTRIBUTION (ALSO REFERRED TO AS SET-ASIDE REQUIREMENT)

- 6.39 Set-aside requirement is the number of inclusionary housing units or the value of inclusionary housing that must be provided in a development according to the size of the development or in relation to the additional rights give.

On-site requirement

- 6.40 The affordable units are built on-site as part of the market-related development i.e. in the same building or on the same land parcel.
- 6.41 The tenure type of the set-aside contribution must be stipulated as either rental or ownership.
- 6.42 The on-site requirement is the primary option in the mandatory - and spatially targeted implementation approaches, with allowance for exemptions incorporated within these options.

In-kind contribution

- 6.43 In-kind contribution (also referred to as the in-kind off-site requirement) refers to when the affordable units are built off-site by the developer or its partner on well-located land in areas identified by the municipality in its municipal spatial development framework. The units can be built on municipal-owned land, on land owned by private developers, or another state partner, or on a site under development by an SHI, or another registered affordable housing developer.
- 6.44 This method will be advisable for market-related developments that are not that well-located, thus capturing the value of the development by re-directing it to a well-located site.
- 6.45 The tenure of the units can be either rental or ownership.
- 6.46 The property owner and developer can choose this option in the voluntary implementation approach or when demonstrated and deemed acceptable by the municipality in the mandatory implementation approach.

Affordable housing fee

- 6.47 Affordable housing fee is also referred to as the in-lieu requirement. It is the contribution of the affordable housing units in the form of a cash contribution which is ring-fenced into a municipal fund dedicated to the building of affordable housing for the benefit of households in the income range targeted by this policy, as well as in designated / priority development areas, as identified by the municipal spatial development framework, the applicable land use planning by-law or zoning scheme-by-law.
- 6.48 The contribution can either go towards the acquisition and/or assembly and/or packaging of well-located land as defined in this policy to be developed for affordable housing; the

construction of affordable housing on such land; ensuring the financial sustainability of social housing development, or towards planned in-kind off-site development of affordable housing by the municipality via existing national housing programmes.

- 6.49 Each application is considered on a case-by-case basis, with negotiations based on a standard proforma submitted by the property owner and developer. This proforma should consider the differing land values in each area, as this is a significant cost driver. This proforma should be able to calculate affordable housing contributions for on-site, in-kind off-site, and affordable housing fees (in-lieu).
- 6.50 The property owner and developer can choose this option in the voluntary implementation approach or when demonstrated and deemed acceptable by the municipality in the mandatory implementation approach.

INCLUSIONARY ZONING IN STELLENBOSCH MUNICIPALITY: AFFORDABILITY PRESERVATION MECHANISMS

- 6.51 Preserving the long-term affordability of the affordable housing units produced by inclusionary zoning is key to ensuring that targeted beneficiaries can benefit from the policy over a specified period of time.
- 6.52 Affordable housing units in developments created through inclusionary zoning conditions must be maintained as affordable (as defined in this policy and escalated for inflation from time to time) for a minimum of 30 years, or until repealed by a Council resolution.

Inclusionary units for ownership

- 6.53 Property owners and developers can sell an affordable housing unit outright to a qualifying household where the beneficiary will independently secure finance from a financial institution and may qualify for and make use of the Finance-linked Individual Subsidy Programme (FLISP).
- 6.54 Property owners and developers can run an instalment sale or lease with an option to buy programme.
- 6.55 The sale price of affordable housing units for sale must be stipulated in the inclusionary zoning agreement tied to the planning permission with a view to ensuring this is clearly tailored to the targeted market. The agreement should record provisions for the adjustment of the future sale price year on year.
- 6.56 An increase in the value of the affordable housing units should be fixed to the Consumer Price Index (CPI), to ensure that homeowners benefit from price appreciation while protecting against the unaffordable escalation of house prices.
- 6.57 Each affordable housing unit needs to be registered with the municipality, to ensure that the valuations process recognizes their status as affordable housing units and as such can be valued and taxed or rated accordingly.
- 6.58 The registered affordable ownership units require municipal approval on resale prices before the transaction takes place for the municipality to monitor and track escalation in the price restrictions and ensure that the inclusionary housing register and valuation process are updated accordingly.
- 6.59 To enable the effective management and monitoring of these affordable housing units and the inclusionary zoning agreement, the property owners and developers are required to place a restrictive condition in the title deeds, or any other affordability preservation mechanism deemed appropriate and effective by the municipality.

- 6.60 Resale should only be for pre-approved buyers that meet the affordability criteria as set out by this policy.

The affordability preservation and any other requirements (i.e. annual reporting) as agreed in the inclusionary zoning agreement as part of the planning permissions, need to be stipulated in the constitutions of the Home Owner Associations (HOA) and/or Body Corporates, so as to ensure no sub-letting of affordable housing units and to ensure that any levies charged are discounted accordingly for the affordable housing component.

Rental of inclusionary units

- 6.61 Fixed-term leases for a minimum period of 12 months will be the primary instrument for ensuring that affordable housing units continue to benefit the intended income group as identified in the planning permission associated with the inclusionary zoning agreement.
- 6.62 Property owners and developers may choose to retain the affordable units in their ownership and rent them to households that fall within the agreed targeted income range and meet the criteria, along with any additional criteria introduced by this policy and in the inclusionary housing obligation set out in the planning permission.
- 6.63 Rents charged for the affordable housing units, must remain within the affordability threshold, which will be reviewed annually to accommodate inflation and its impact on maintenance costs, as well as changes in the affordability dynamics in the housing market and changes to income categories in amendments to the inclusionary zoning policy.
- 6.64 Lease agreements need to ensure that the tenants are subject to regular income certification to ensure that the affordable housing units remain as allocated and available to the intended income group. This must include allowance for some income growth over time. Successive tenants would pay the rental as adjusted for inflation at the time of occupation.

- 6.65 The lease agreements should stipulate that sub-letting is not allowed and excludes any land uses associated with student housing and transient guests (i.e. home lodging, bed and breakfast, hotel, tourist accommodation establishment, tourist dwelling unit, student housing, etc.).
- 6.66 Property owners and developers may choose to build affordable housing units and hand them over to a social housing institution (SHI) to be managed by them. In this case, the annual monitoring of affordability preservation as required by the municipality will be managed by the SHI and the property owners and developers will not have to comply with this specific requirement unless specifically requested by the municipality.
- 6.67 When affordable housing units are delivered through partnering with SHIs and where they provide a capital subsidy (administered by the SHRA) the requirement for subdividing and registering the affordable units needs to be accommodated within the application and the associated conditions of approval.
- 6.68 Each affordable housing rental unit needs to be registered with the municipality, and approval of new tenants should meet the affordability criteria set by the policy. In the case of rental agency management, the affordability criteria of the social housing institution must be met.
- 6.69 In the case where property owners and developers retain ownership and become landlords or use a rental agency for the management of these units, the compliance of the annual reporting should be managed by these parties. The municipality should be informed of the managing rental agents for the inclusionary housing unit register as administered by the municipality to be updated accordingly. Annual reporting mechanisms will be agreed upon and stipulated in the inclusionary zoning agreement as part of the planning permissions.

Other affordability considerations.

- 6.70 Municipal rates and taxes as approved within the Rating Policy, will be adapted to ensure that affordable housing units are not undermined by the municipality's own policies. The Municipality may consider adding an inclusionary housing category that may benefit/qualify for exemptions, rebates, discounted rates, as well as capped valuation of these units. The criteria and annual application process will still be applicable as defined in these municipal policies to ensure that the household can maintain affordability including avoiding unjustifiable subsidisation.
- 6.71 Failure to comply with the planning permission and associated inclusionary zoning agreement should result in a penalty, with rates due on units meant as affordable housing units, calculated for the whole period when units were supposed to be affordable and were not.

INCLUSIONARY ZONING IN STELLENBOSCH MUNICIPALITY: BENEFICIATION

- 6.72 The broad principle for dealing with an allocation is whoever takes development or marketing risk for affordable housing may control the allocation of units to the end-users. The responsibility of affordable housing units for ownership vests with the developer/financiers and in the case of rental the landlord, or SHI.
- 6.73 The allocation process of affordable housing units in inclusionary zoning developments will be different for rental or ownership units. It will also differ depending on whether the property owner or developer will do the allocation, or if the municipality or SHI is involved in the allocation process.
- 6.74 The standard affordability measures as described in sections 6.3 – 6.10 above applies.
- 6.75 The target market for beneficiation should benefit employed households (excl. students) earning stable incomes that fall within the affordability threshold as defined.

- 6.76 Proportional allocation within the affordable market income range & units per segment within the range is encouraged.
- 6.77 The developer must use the following criteria for identifying beneficiaries;
- 6.77.1 Previously disadvantaged and employed persons who currently live and work in the Stellenbosch Municipal area (WC024)
- 6.77.2 Key workers refer to an employee who provides a vital service, typically in the police, health, and education sectors (WCG 2022). Targeting these individuals or households presents an opportunity to empower them to climb the property ladder over time and save on costs associated with travel, access to community facilities, etc.
- 6.77.3 Vulnerable groups such as the youth, elderly, and people living with disabilities.
- 6.77.4 First time homeowners.
- 6.77.5 Beneficiaries must not own any other property which may be used as a residence.
- 6.77.6 Gender, with specific reference to female-headed households.
- 6.78 The developer may partner with companies with employee housing assistance programmes when the beneficiaries comply with the criteria as stipulated in the inclusionary zoning agreement.
- 6.79 The municipality may impose requirements on the reporting regarding allocation within these criteria.
- 6.80 Deviation from the beneficitation stipulations of this policy can be considered by the Municipal Manager but must be motivated by the developer. The Municipal Manager must stipulate the additional information required for consideration of the deviation but must consider whether the developer has tested the housing market sufficiently to obtain the desired beneficiaries.

INCLUSIONARY ZONING IN STELLENBOSCH MUNICIPALITY: DESIGN

- 6.81 The affordable units should be integrated into the projects and blend in with the surrounding buildings and the development.
- 6.82 The architectural styles should be similar i.e. tenure blind from the outside, but the interior may differ to enable affordability.
- 6.83 The municipality may regulate the requirement and standards for these units within policies and by-laws i.e. number of bedrooms, size of units, location of affordable units on a site or within a building, or the exterior access to the units.
- 6.84 The affordable housing units need to comply with the National Housing Building Regulatory Council.
- 6.85 The minimum standards must be met regarding bathroom and kitchen areas and fittings, and the quality of these facilities must avoid higher maintenance costs. It is proposed that the Social Housing norms and standards are used as a benchmark in this regard.
- 6.86 The property owner and developer need to consider variety in the housing typologies, based on household composition found within the municipality, namely two-bedroom units to respond to different family compositions.
- 6.87 The reviewed optimum unit sizes as proposed for social rental stock can be used as a guideline:

Type of unit	Optimum size (sqm)	Minimum size	Occupancy
Room	12	10	1b1p
Bachelor / Studio	25	18	1b2p
1 Bedroom	35	25	1b2p / 2b3p
2 Bedroom	48	42	3b3p / 4b4p
3 Bedroom	60	52	3b4p / 5b6p

Table 2: Extract from Western Cape Government Inclusionary Housing Policy Framework, 2022 (source: WCGa:2022)

INCLUSIONARY ZONING IN STELLENBOSCH MUNICIPALITY: OFF-SET INCENTIVE PACKAGES

- 6.88 Possible fast-tracking of approval processes by a dedicated municipal project team for identified projects.
- 6.89 Possible density bonus which allows private developers to provide units in addition to the prescribed land use density.
- 6.90 Possible reduction in the parking requirements for the affordable housing component, particularly in areas close to public transport routes, or within walking distance of most facilities, amenities and business/retail areas, or as deemed appropriate by the municipality.
- 6.91 Possible removal or reduction of associated planning requirements as deemed appropriate by the municipality and accordingly demonstrated in the financial viability estimates during the pre-application phase.
- 6.92 Development contribution discount: Ten percent (10%) development contribution discount on the affordable housing component of the development be allowed.
- 6.93 The off-set incentive packages should not place a cost burden on the municipality to the extent that it amounts to a hidden subsidy and is not sustainable for the municipality.

INCLUSIONARY ZONING APPLICATION IN STELLENBOSCH MUNICIPALITY

6.94 The table below provides the various options:

Options	Description	Planning obligation	Planning requirement & Off-set benefit packages
Option A	Mandatory inclusionary zoning (units/ha)	<p>20% of dwelling units fall within the affordability thresholds (either using the standard or spatially targeted approach) for rental or ownership within the new residential or mixed-use development of 20du or more.</p> <p>Provision of affordable housing must be provided on-site within the priority development areas, namely Stellenbosch town, Klapmuts, & Franschhoek, or as alternatively demonstrated.</p> <p>Applicable to the conventional residential zone, multi-unit residential zone, local business zone, and mixed-use zone of the zoning scheme by-law.</p>	<p>Planning requirement: Inclusionary Zoning Agreement & Developer contributions</p> <p>Off-set incentive package: Density bonus – increase in density (du/ha) to accommodate the inclusionary housing units. AND/OR Parking reduction for inclusionary housing units in well-located areas. AND/OR Development contribution discount. AND/OR Other planning parameters deemed to assist in the financial viability/project feasibility as demonstrated.</p>
Option B	Mandatory inclusionary zoning (Bulk/FAR)	<p>Minimum of 10% or a maximum of 17% (depending on the applicable zoning) of the total residential floor area (complying with the minimum 20% requirement) is made up of dwelling units that fall within the affordability thresholds (either using the standard or spatially targeted approach) for rental or ownership within the new residential or mixed-use development of 20du or more.</p> <p>Provision of affordable housing must be provided on-site within the priority development areas,</p>	<p>Planning requirement: Inclusionary Zoning Agreement & Developer contributions</p> <p>Off-set incentive package: Density bonus – increase in density (du/ha) to accommodate the inclusionary units. AND/OR Parking reduction for inclusionary units in well-located areas. AND/OR</p>

Options	Description	Planning obligation	Planning requirement & Off-set benefit packages
		<p>namely Stellenbosch town, Klapmuts, & Franschhoek, or as alternatively demonstrated.</p> <p>Applicable to the conventional residential zone, multi-unit residential zone, local business zone, and mixed-use zone of the zoning scheme by-law.</p>	<p>Development contribution discount. AND/OR Other planning parameters deemed to assist in the financial viability/project feasibility as demonstrated.</p>
Option C (ATC)	<p>Mandatory spatial targeted inclusionary zoning (units/ha) – overlay zone</p>	<p>30% of dwelling units fall within the affordability thresholds (either using the standard approach or spatially targeted approach) for rental or ownership within the new residential or mixed-use development.</p> <p>Provision of affordable housing can only be provided on-site within the delineated area and in accordance with the precinct site development plans, within the Adam Tas Corridor.</p> <p>Applicable to the Adam Tas Corridor Local Area Overlay Zone.</p>	<p>Planning requirement: Inclusionary Zoning Agreement & Developer contributions & Precinct Site Development Plan & Compliance with applicable LSDF and Development Guidelines</p> <p>Off-set incentive package: Overlay Zone – upzoned property and expedited planning process</p> <p>AND</p> <p>Density bonus – increase in density (du/ha) to accommodate the inclusionary units. AND/OR Parking reduction for inclusionary units in well-located areas. AND/OR Development contribution discount. AND/OR Other planning parameters deemed to assist in the financial viability/project feasibility as demonstrated.</p>

Options	Description	Planning obligation	Planning requirement & Off-set benefit packages
Option D (ATC)	Mandatory spatial targeted inclusionary zoning (Bulk/FAR) – overlay zone	<p>Minimum of 25% of the total residential floor area (complying with the minimum 30% requirement) is made up of dwelling units that fall within the affordability thresholds (either using the standard or spatially targeted approach) for rental or ownership within the new residential or mixed-use development of 20du or more.</p> <p>Provision of affordable housing can only be provided on-site within the delineated area and in accordance with the precinct site development plans, within the Adam Tas Corridor.</p> <p>Applicable to the Adam Tas Corridor Local Area Overlay Zone.</p>	<p>Planning requirement: Inclusionary Zoning Agreement & Developer contributions & Precinct Site Development Plan & Compliance with applicable LSDF and Development Guidelines</p> <p>Off-set incentive package: Overlay Zone – upzoned property and expedited planning process</p> <p>AND</p> <p>Density bonus – increase in density (du/ha) to accommodate the inclusionary units. AND/OR Parking reduction for inclusionary units in well-located areas. AND/OR Development contribution discount. AND/OR Other planning parameters deemed to assist in the financial viability/project feasibility as demonstrated.</p>
Option E	Voluntary inclusionary zoning	<p>20% of dwelling units fall within the affordability thresholds (either using the standard or spatially targeted approach), or as agreed to by the for rental or ownership within the new residential or mixed-use development.</p>	<p>Planning requirement: Inclusionary Zoning Agreement & Developer contributions</p> <p>Off-set benefit package:</p>

Options	Description	Planning obligation	Planning requirement & Off-set benefit packages
		Provision of affordable housing can be provided in-kind off-site or in-lieu within priority development areas, namely Stellenbosch, Klapmuts, & Franschhoek.	Public land leasing & land sales AND/OR Leveraging municipal real estate AND Density bonus – increase in density (du/ha) to accommodate the inclusionary units. AND/OR Parking reduction for inclusionary units in well-located areas. AND/OR Development contribution discount. AND/OR Other planning parameters deemed to assist in the financial viability/project feasibility as demonstrated.
Option F	Targeted in-kind off site affordable housing provision	To the satisfaction of the municipality, when the development already targets the affordability thresholds. The application may be exempted from the provisions of the policy provided that the development assessment and ultimately the permission places this on record for monitoring and compliance processes.	Planning requirement: Inclusionary Zoning Agreement & Developer contributions Off-set incentive package: To be negotiated.

Table 3: Inclusionary application in Stellenbosch Municipality, (own source)

INCLUSIONARY ZONING AGREEMENT

- 6.95 Planning permissions will be accompanied by an Inclusionary Zoning Agreement between the applicant and the Municipality setting out the basis on which the affordable housing contribution will be made in line with the municipal inclusionary zoning policy, including inter alia:
- 6.96 Whether the contribution will be met on site, off site or as an in-lieu contribution;
- 6.97 When and where the inclusionary housing units will be constructed;
- 6.98 The number and sizes of units to be provided on site or off site;
- 6.99 How off-site units will be provided;
- 6.100 Whether the units will be rented or sold and the sale price or monthly rental;
- 6.101 How levies will be dealt with in terms of units sold within sectional title schemes;
- 6.102 The income group (or groups within the broader income range) to be targeted to purchase or rent the units as well as other priority groups, along with the proportional allocation of units, if relevant;
- 6.103 Who will undertake the screening and allocation process and how this process will be undertaken;
- 6.104 If the rented units will be sold on and to whom;
- 6.105 The total amount of the in-lieu contribution, should this be the case, and to whom, how and when it will be paid. An in-lieu contribution should be paid prior to issue of the occupancy certificate for the development and the issue of such certificate should be conditional on proof of payment;
- 6.106 The reporting requirements to enable the monitoring of affordability of the affordable housing units over time, and to whom reports will be provided;
- 6.107 Title deed restrictions to be introduced on stock for sale to maintain affordability.

FINANCIAL VIABILITY CRITERIA

- 6.108 In the pre-application phase of the application, the property owner, developer and municipality need to consider and evaluate the economic trade-offs involved in requiring a certain percentage of affordable units in new residential or mixed-use development.
- 6.109 Following this approach ensures that it is economically sound, will not deter development, and will deliver the types of new affordable units the local community needs. It can also be used to determine how a new inclusionary zoning would affect market-related housing development costs and profits.
- 6.110 It also assists in highlighting what is economically reasonable for the municipality trying to set affordable housing requirements and offer developers meaningful incentives.
- 6.111 It does not replace a detailed financial feasibility analysis prepared by a trained professional.
- 6.112 Variables that make the greatest difference to the bottom line results: hard construction costs (usually 60-70% of development costs can be attributed to materials and labour – drives the cost side of the equation); average rental rates or market price sales (average monthly starting rental rates for new rental projects and average market prices for for-sale projects are the most important assumptions on the revenue side of the equation); capitalization rates (used to translate net operating income in a year of stabilized occupancy into total project value).
- 6.113 The literature and local case studies suggests the following financial viability criteria for consideration and these factors and measures should form part of the pre-application phase of the application:

Factors and measures
Property size / development footprint
Current zoning and land use
Proposed new zoning

Vacant land cost
Municipal property valuation
Developed land value per land use: Residential sales income
Developed land value per land use: Rental income per land use
Developed land value per land use: Office rental income
Developed land value per land use: Retail rental income
Developed land value per land use: Parking rental income
Developed land value per land use: Parking sales income
Total number of parking bays required
Assign parking requirements to each site (per m ² and per dwelling unit), for each chosen/permitted land use, for both scenarios. m ² parking requirement residential no concession m ² parking requirement residential with concession m ² parking requirement office no concession m ² parking requirement office with concession m ² parking requirement retail no concession m ² parking requirement retail with concession
Percentage of residential floor area allocated to the affordable housing units for each site.
Define the floor area of 0-bedroom, 1-bedroom, 2-bedroom and 3-bedroom units. Proportion of residential floor area allocated to each dwelling unit type 0bedroom:1bedroom:2bedroom:3bedroom (ratio) 0bedroom:1bedroom:2bedroom:3bedroom (size)
Land-use distribution - define/calculate the maximum proportion of floor area allocated to permitted land uses (residential and/or retail and/or office) on each site under both scenarios according to land-use zone and parcel size. % residential no concession % residential with concession % office no concession % office with concession % retail no concession % retail with concession
Based on calculation above, calculate within each land use, floor area the allocation to parking, according to the parking requirements established in. m ² parking area residential no concession

<p>m² parking area residential with concession</p> <p>m² parking area office no concession</p> <p>m² parking area office with concession</p> <p>m² parking area retail no concession</p> <p>m² parking area retail with concession</p>
<p>Municipal rates</p>
<p>Monthly cost of municipal rates per site for both scenarios is calculated, according to land-use zone, estimated municipal valuation and construction floor area.</p> <p>R/m² residential no concession</p> <p>R/m² residential with concession</p> <p>R/m² office no concession</p> <p>R/m² office with concession</p> <p>R/m² retail no concession</p> <p>R/m² retail with concession</p>
<p>Rental income per land use, per site, per scenario (floor area multiplied by suburb market data values)</p>
<p>Define discount factors, for low- ,medium-income and open-market units under the inclusionary zoning scenario* -</p> <p>Users to define % reduction in residential rental income estimates in relation to estimated open-market rental incomes for the sites' suburbs.</p> <p>Discount factor low-income rent</p> <p>Discount factor medium-income rent</p> <p>Discount factor open-market rent</p>
<p>Define occupancy rates of rented floor area.</p> <p>% residential occupancy rate</p>
<p>Levies income from sold residential units, per site, per scenario (proportional to building maintenance costs of sold units)</p>
<p>Define the percentage of open market residential floor area sold under both scenarios.</p> <p>% open-market residential units sold no concessions</p> <p>% open-market residential units sold with concessions</p>
<p>Monthly municipal rates per site, per scenario</p>
<p>Define building maintenance costs (R) per m², per scenario</p>
<p>Cost of land per site</p>
<p>Cost of construction per site, per scenario</p> <p>Construction cost (R) per square residential per m²</p> <p>Construction cost (R) per square office per m²</p> <p>Construction cost (R) per square retail per m²</p> <p>Construction cost (R) per square parking m²</p>

Define construction duration (months) for each site for no concession Construction duration residential Construction duration office Construction duration retail Construction duration parking
Define construction duration (months) for each site for with concession Construction duration residential Construction duration office Construction duration retail Construction duration parking
Income from sold residential units, per site, per scenario
Income from sold residential units parking bays, per site, per scenario
Debt at project completion per site, per scenario
Generated equity at project completion per site, per scenario (value of completed construction, minus value of units sold, minus any debt owed on loans to fund projects)
Monthly profit, per site, per scenario (monthly income minus monthly debt)
Net rental yield, per site, per scenario (annual rental income minus annual expenses, divided by total cost of project)
Define loan interest rate
Number of years to settle loan per site, per scenario (using monthly profit)

Table 4: Financial viability criteria

SUMMARY: Key considerations for the Inclusionary Zoning Policy and Regulations for Stellenbosch Municipality

Which type of policy is the municipality considering in adopting?	
Mandatory with off-set incentives	<ul style="list-style-type: none"> • Mandatory requirements and additional, optional developer incentives for greater affordability in targeted areas. • Tend to produce more affordable units than voluntary policies. • Tend to serve more low-income households in well-located areas. • Offer uniformity and predictability for property owners and developers.
Where does the policy apply?	
Target areas	<p>Inclusionary Housing Trigger Area</p> <ul style="list-style-type: none"> • Requirements apply to specific priority development areas (i.e. Adam Tas Corridor, Stellenbosch Town, Klipmuts and Franschoek) located within the delineated and adopted urban edges. <p>Priority receiving areas for Inclusionary housing.</p> <ul style="list-style-type: none"> • Well-located specific priority development areas as defined by the municipal spatial development framework, capital expenditure framework, Adam Tas Corridor Local Spatial Development Framework, and Adam Tas Local Area Overlay Zone, social restructuring zones, PSHDA's, and so on.
To whom does the policy apply?	
Residential and non-residential property owners and developers	<ul style="list-style-type: none"> • Applies to property owners and developers if the development project trigger the policy to go into effect. • Allows mixed-use property owners and developers to contribute to the community.
To what types of projects does the policy apply? (i.e. What's the trigger for the policy to be in effect?)	
Minimum development size	<ul style="list-style-type: none"> • Trigger is 20 dwelling units or more. • May apply to smaller developments on voluntary implementation option.
Tenure type	<ul style="list-style-type: none"> • Applies to both rental and ownership development projects.

How can the property owner and developer meet the policy's requirements?	
Constructing affordable housing contribution on-site	<ul style="list-style-type: none"> • Promotes social and economic integration in well-located areas. • On-site construction is the standard requirement within the spatially targeted and mandatory implementation approaches, with alternative options requiring approval incorporated.
Deciding duration for affordability preservation	<ul style="list-style-type: none"> • Rental and homeownership units to remain affordable for at least 30 years, or until repealed by Council.
Defining the share of affordable housing contribution	<ul style="list-style-type: none"> • 20% of total units or total floor area within the priority development areas (Stellenbosch Town, Klapmuts and Franschhoek) located within the delineated and adopted urban edges. • 30% of total units or floor area within the priority development areas delineated in the Adam Tas Local Spatial Development Framework and Development Guidelines and the Adam Tas Local Area Overlay Zone.
Varying income requirements within development project	<ul style="list-style-type: none"> • Proportional allocation within the affordable market income range and units per segment within the range is proposed. • Affordable housing market segments targeted are: <ul style="list-style-type: none"> • Affordable (R300 000 – R600 000); • Conventional (R600 000 – R900 000); and – • High-end (R900 000 – R1.2million).
Offering trade-offs for deeper affordability	<ul style="list-style-type: none"> • Development projects that targets the affordable housing market segments as defined is exempted from applying the policy.
Deciding the location of affordable housing contribution within the development	<ul style="list-style-type: none"> • Affordable units on-site may be clustered, located on certain floors, or in adjacent buildings but should not be located as to isolate the affordable component from the overall development in such a way that can be prejudicial.
Setting specification requirements for	<ul style="list-style-type: none"> • Require affordable units to be identical to market-related units (tenure blind) and allow internal variations with minimum standards.

affordable housing contribution	<ul style="list-style-type: none"> • Social Housing norms and standards are proposed as minimum design requirements regarding bathroom, kitchen areas, fittings and quality of facilities is recommended to be used as a guideline. • Variety of housing typologies are proposed, based on household composition within the municipality to respond to different family compositions. Optimum unit sizes as proposed for social rental stock is recommended to be used as a guideline.
What are the prices and income requirements for affordable units?	
Affordability criteria for households	<ul style="list-style-type: none"> • Focus on households falling within the GAP market/Housing and affordable housing target market namely >R3 500 – R27 200 (FSC 2022, rates to be updated yearly) annual gross household income. • Provisions for household income over time for annual income verification has been proposed in line with CPI.
Targeted beneficiaries	<ul style="list-style-type: none"> • Employed households (excluding students) earning stable incomes falling within the affordability threshold. • Suggestions around targeted beneficiaries (e.g. SM residents, key workers, vulnerable groups, etc.) are proposed for consideration in the beneficiation process.
Setting affordable housing cost for household income	<ul style="list-style-type: none"> • Guideline of premium to income ratio for renters not more than 30% and for homeowners between 30-35%.
What are the off-set incentives available to property owners and developers?	
Deciding whether and how resources from existing land-based financing and housing mechanisms may be used by renters or homeowners	<ul style="list-style-type: none"> • Municipal rates and taxes to be adapted to ensure the affordability of these units. • Municipality to consider inclusionary housing category for these households to qualify and benefit from exemptions, rebates, discounted rates, and capped valuation of units. • Households can apply for financial subsidies, such as FLISP.
Expedited permissions	planning
	<ul style="list-style-type: none"> • Fast-tracking of approval processes by a dedicated municipal project team for implementing the Adam Tas Corridor Spatial Development Framework and Development Guidelines, and its overlay zone (pro-active rezoning mechanism).

Density, height, bulk bonus, or other zoning variances	<ul style="list-style-type: none"> • Density bonus which allows private developers to provide units in addition to the prescribed land use density. • Reducing parking requirements for the affordable housing component, particularly in areas close to public transport routes, or as deemed appropriate by the municipality. • Removing or reducing associated planning requirements as deemed appropriate by the municipality and accordingly demonstrated in the financial viability estimates during the pre-application phase.
Receiving discounts	<ul style="list-style-type: none"> • 10% development charges discount on the affordable housing component of the development.

Table 5: Summary table for the application of the inclusionary zoning mechanism in Stellenbosch Municipality

END