



## INCENTIVE POLICY FOR AFFORDABLE HOUSING

November 2025

## Table of Contents

1	ACRONYMS .....	2
2	DEFINITIONS .....	2
3	IMPACT STATEMENT .....	5
4	PROBLEM STATEMENT .....	5
5	LEGISLATIVE AND REGULATORY CONTEXT .....	6
6	DEFINING AFFORDABLE HOUSING .....	7
7	POLICY PRINCIPLES .....	8
8	OVERARCHING INCENTIVES AGENDA .....	8
8.1	The Financial Incentive Model .....	8
8.2	Menu of Available Incentives .....	9
8.2.1	Development Incentives (Pre-Construction) .....	9
8.2.2	Operational Incentives (Post-Construction) .....	12
8.2.3	End User Incentives .....	13
8.2.4	Incentives applicable to small scale rental landlords .....	14
8.2.5	Incentives applicable to Inclusionary Housing .....	15
9	QUALIFYING CRITERIA .....	16
9.1	Social Housing .....	16
9.2	BNG Housing .....	16
9.3	FHF .....	17
9.4	Small Scale Rental Landlords .....	17
9.5	Developments with Inclusionary Housing Component .....	17
10	MONITOR AND EVALUATION FRAMEWORK .....	17
11	MEASURES FOR NON-PERFORMANCE .....	19
12	INSTITUTIONAL ARRANGEMENTS .....	19
13	IMPLEMENTATION PLAN .....	20
14	POLICY REVIEW .....	20
15	ANNEXURE A – FINANCIAL INCENTIVE MODEL LAYOUT .....	21

## 1 ACRONYMS

<b>BNG</b>	Breaking New Ground
<b>FHF</b>	First Home Finance
<b>GIS</b>	Geographic Information System
<b>GRDM</b>	Garden Route District Municipality
<b>M&amp;E</b>	Monitoring and Evaluation
<b>ODA</b>	Other Delivery Agent
<b>PHSHDA</b>	Priority Human Settlements and Housing Development Areas
<b>RZ</b>	Restructuring Zone
<b>SDF</b>	Spatial Development Framework
<b>SHI</b>	Social Housing Institution
<b>SHRA</b>	Social Housing Regulatory Authority
<b>UISP</b>	Upgrading of Informal Settlement Programme

## 2 DEFINITIONS

<b>Accredited social housing project</b>	Means a social housing project in a restructuring zone approved by the SHRA pursuant to an application for capital grant funding to undertake the acquisition, development, conversion or upgrading of buildings for social housing
<b>Breaking New Ground Housing</b>	Fully-subsidised housing for low-income households earning R0-R3 500 per month (income brackets as per current legislated income criteria and may be adjusted accordingly through Ministerial/National Policy directives).
<b>De-risking</b>	Strategies used to reduce financial, operational, or regulatory uncertainties in land development, ensuring land is legally compliant, investment-ready, and viable for project implementation.
<b>Designated Restructuring Zones</b>	Restructuring Zones are specific geographic areas approved by the Minister of Human Settlements where social housing projects qualify for SHRA Consolidated Capital Grant funding. Their purpose is to promote spatial, social, and economic restructuring by enabling social housing in well-located, high-opportunity or revitalisation areas, and to redress historical spatial imbalances by positioning developments near economic hubs and transport corridors.

<p><b>First Home Finance (previously FLISP)</b></p>	<p>Aims to support the "gap" market-households who earns too much to qualify for a fully-subsidised BNG house but too little to qualify for a conventional mortgage. It facilitates affordable ownership, targeting households with a gross monthly income between R3 501 - R22 000 (income brackets as per current legislated income criteria and may be adjusted accordingly through Ministerial/National Policy directives).</p>
<p><b>Gap Housing</b></p>	<p>Is a term used to describe affordable housing specifically designed for households earning between R3 501 – R22 000 per month (income brackets as per current legislated income criteria and may be adjusted accordingly through Ministerial/National Policy directives). This initiative bridges the gap for individuals who earn too much to qualify for government subsidised housing and too little to purchase homes privately.</p>
<p><b>Incentive</b></p>	<p>Means a special intervention designed to change the behaviour of economic factors or to influence decisions in order to achieve specific outcomes. A blanket across-the-board reduction in taxes is not viewed to be an incentive.</p>
<p><b>Inclusionary Housing</b></p>	<p>A land use instrument that, through conditions attached to land use rights approvals, requires private developers to dedicate a certain percentage (%) of new housing developments to low income and low middle income households, or to households that may not otherwise afford to live in those developments.</p>
<p><b>Other Delivery Agent</b></p>	<p>Means an institution accredited or provisionally accredited, in accordance with the Social Housing Act 16 of 2008, which carries or intends to carry on the business of providing rental or co-operative housing options for low to medium income households.</p> <p>Private property development companies that have as their focus the development and ownership of social housing stock amongst other business interests. These entities generally outsource the management arrangement to other residential property managers but must still hold the business risk and are responsible for reporting on performance to the regulator (the SHRA).</p>

<p><b>Small scale rental landlords</b></p>	<p>Refers to a sub-sector of private rental housing that is developed by private owners of property and generally holds a limited number of units (thus far indicating under 15 units).</p>
<p><b>Social housing</b></p>	<p>Affordable rental housing provided by accredited institutions within designated Restructuring Zones, targeting households earning between R1 850-R22 000 per month (income brackets as per current legislated income criteria and may be adjusted accordingly through Ministerial/National Policy directives). It is characterised by public-private arrangements and promotes spatial transformation.</p>
<p><b>Social Housing Institution</b></p>	<p>Means an institution accredited or provisionally accredited, in accordance with the Social Housing Act 16 of 2008, which carries or intends to carry on the business of providing rental or co-operative housing options for low to medium income households.</p>
<p><b>Social Housing Institution</b></p>	<p>Generally, not for profit companies with its focus on development, ownership and management of social housing stock. It must be noted however that these entities in as much as they are not for profit, they are also not for loss as they are required to generate sufficient income for self-sustainability and surpluses for re-investment in new developments.</p>
<p><b>Social housing landlords</b></p>	<p>Refers to the combined terminology for either Social Housing Institution or Other Delivery Agent as accredited by the SHRA</p>

### 3 IMPACT STATEMENT

#### The creation and sustainability of viable human settlements within the Garden Route District Municipality

This statement recognises:

- a) Human settlement delivery and its associated complexities may be enhanced through an additional tool in the form of incentives for encouraging and supporting affordable housing development, delivery and operation in spatially conducive locations.
- b) The affordable housing opportunities will largely be driven by Social Housing-Affordable rental opportunities; FHF- Individual Ownership Schemes; BNG and UISP Low-income schemes for promotion of individual ownership and Inclusionary Housing Scheme- Private Sector driven initiatives
- c) The intention of the GRDM is to support, facilitate, enable and empower the 7 B municipalities to actively pursue implementation of financial and non-financial incentives towards human settlement development. The 7 B municipalities- Bitou, George, Hessequa, Kannaland, Knysna, Mossel Bay Oudtshoorn- operate within a district municipality and share responsibilities and powers with the district.
- d) Collaboration and partnerships with the private sector to encourage economic growth is a cornerstone for human settlement delivery.
- e) The importance of local government commitment to effective and efficient service delivery through robust financial health, adhering to the principles of good governance and sufficient municipal capacity.

### 4 PROBLEM STATEMENT

The local government sphere is the coal face of service delivery in South Africa, and this mandate is conferred upon this sphere in the Constitution (Section 40-41) and can be found further within the logic of cooperative governance. Inherently, the local government sphere is the primary driver for growth and inclusion. In the realm of human settlements development there has been a significant decrease in the delivery of affordable housing opportunities. This decrease is attributed to several factors (not an exhaustive list), and at a macro level it includes, population growth, economic factors, poverty and high rate of unemployment, rapid urbanisation, slow release of land, weak spatial planning, governance and unmet demand imperatives, and the escalating cost of development for government including a shrinking fiscus and insufficient funding for the demand for human settlements from a top structure and services perspective.

The ripple effect of the above factors is felt most at the local government level. Moreover, challenges at such as disjuncture between constitutional and political arrangements, concurrent and overlapping functions among spheres of government, discrepancies among municipalities, factionalism and coalitions, poor municipal governance/maladministration, lack of technical capacity, human capital management, shrinking fiscus, private sector drawback in government programmes, poor service delivery and fragmented community and participatory initiatives have impacted greatly on local government performance.

It is contended that the delivery of integrated sustainable human settlements and the provision of housing opportunities at a local government level must as a start be able to attract investments and growth. Notwithstanding the complexities that surround the development and management of human settlements, the role that has been played by state-market led housing provision, the contradictions that goes with planning for growing the economy and development of human settlements and the choices that are riddled with unintended consequences which in large part is due to the complex human settlements system. It is acknowledged that the human settlements system is both a consumption good and an asset, both a welfare benefit and a market commodity, graduated from being a physical good to a money good with time, and the multiplicity of actors and sectors of the economy involved in the delivery process.

Therefore, in an endeavour to create an environment that is attractive for investment and growth, the proposal to include a concise incentive policy framework for human settlement development will be adopted to empower municipalities. This will have a multiplier effect on not only the municipal jurisdiction and its citizens but also the District and Western Cape Province in general.

## **5 LEGISLATIVE AND REGULATORY CONTEXT**

This policy is guided by legislative prescripts and regulatory directives that impact local government and includes:

- The Constitution of the Republic of South Africa, 1996
- Local Government: Municipal Finance Management Act, 2003 (Act No. 56 of 2003) (MFMA) and Regulations
- Local Government: Municipal Property Rates Act, 2004 (Act No. 6 of 2004) (MPRA)
- Municipal Fiscal Powers and Functions Amendment Act, Act 4 of 2024
- Spatial Planning and Land Use Management Act, 2013 (Act No. 16 of 2013);

- 
- Western Cape Land Use Planning Act 2014 (LUPA)
  - National Policy Framework for Municipal Development Charges

This policy is further guided by the following frameworks and strategies:

- The National Treasury Guidelines for Development of City Incentive Policy (2022)
- The National Housing Code, 2009
- The Consolidated Norms and Standards for Rental Housing (2022)
- The District Development Model Strategic Implementation Framework (2019)
- The Final Draft GRDM Human Settlements Sector Plan-Version 2, March 2025

Moreover, it is envisaged that the contents of this policy will act as a complementary endeavour to any economic policy enhancements.

## **6 DEFINING AFFORDABLE HOUSING**

The White Paper for Human Settlements, 2024 indicates that affordable housing may be segmented in terms of house size (linked to a product price), tenure status or household income. The government segments housing in terms of household income and government assistance (Housing Subsidy Scheme) is 'means tested'. This is necessary to ensure that it remains true to the principles of: (a) pro-poor targeting: and (b) 'the bigger the need, the bigger the support.' This approach is constitutionally valid and it falls under 'fair discrimination'.

Importantly, it is necessary for affordable housing to be both vertically and horizontally flexible. In terms of vertical flexibility, it must be able to provide for low-income households that upgrade their housing arrangements as well as high income households that downgrade their housing arrangements. In terms of horizontal flexibility, it must enable middle income households to change their tenure status but remain in affordable housing. Therefore, affordable housing must, provide programmatic support for: (a) ownership through public-private arrangements; (b) rental through public-private arrangements (social housing); and (c) mixed-tenure arrangements through public-private arrangements (rent-to-buy, instalment sales). In other words, Affordable Housing is synonymous with public-private arrangements.

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## 7 POLICY PRINCIPLES

The core principles are thus as follows:

**Affordability** - The introduction of an incentive should not create an unaffordable cost to the municipalities and the income forgone should not have an adverse impact on the revenue stream of the municipality.

**Transparency** - The granting of an incentive will be done according to a set of pre-determined criteria, information and the actual granted incentive will be open for public knowledge.

**Spatial Transformation** - The granting of incentives will be for targeted geographic areas in line with the municipalities spatial development frameworks, land use frameworks and human settlements sector plans. Priority will be given to developments in designated Human Settlements and Housing Development Areas (PHSHDAs) and Restructuring Zones. Inclusionary housing in middle to high income areas is to be encouraged and supported.

**Simplicity** - The structure and administration of the incentive has to be easily understandable and should not require complex administration so as to minimise staff and financial impacts. This is intended to ensure quick turnaround times for applications.

**Legality and compliance** - Incentives which are considered or awarded must be consistent with all planning laws and must not compromise the financial and development goals of the municipalities.

**Monitoring** - Incentives must be tied to achievable and relevant performance criteria with clear and unambiguous mechanisms to monitor compliance.

## 8 OVERARCHING INCENTIVES AGENDA

This policy is underpinned by a ground-breaking Financial Incentive Model designed to guide municipalities in determining the feasibility and extent of incentives they can offer. The model ensures that all incentives are granted in a fiscally responsible and sustainable manner.

### 8.1 The Financial Incentive Model

The Model implements a municipal scorecard that assesses key financial health indicators to recommend the most cost-effective incentive scenario with a 10-year projection. This ensures

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that the introduction of an incentive does not create an unaffordable cost to the municipality, adhering to the core principle of 'Affordability'.

Critical variables assessed:

The Model includes, but is not limited to, the following critical variables:

- Financial incentives variables (land, development charges, service connection fees, municipal fees for town planning and building plans)
- Property Rates rebates
- Municipal revenue streams
- Municipal Audit Outcomes
- Own Revenue
- Current Ratio
- Cash Balance
- Cash Coverage
- Revenue Collection Rate
- State of Local Government indicator

Functionality:

The Model allows for:

- Calculation of incentives at 10%, 20%, 25%, 30%, 40%, 50%, and 100% intervals.
- Projections based on individual financial indicators and costings.
- Calculation of potential future property rates income from new developments, providing a holistic view of long-term municipal revenue.

## **8.2 Menu of Available Incentives**

The following is a menu of financial and non-financial incentives that municipalities may consider, using the Financial Incentive Model to determine their specific applicability and level. The subsequent chapters will specify which incentives are most relevant to each housing instrument.

### **8.2.1 Development Incentives (Pre-Construction)**

These incentives apply during the project planning and construction phases to reduce upfront costs and accelerate delivery.

Table 1: Development incentives (pre-construction)

Financial Indicator	Description	Applicable affordable housing programme(s)		
		Social Housing	Breaking New Ground	FHF
<b>Financial Incentives</b>				
<b>Municipal/State land and properties</b>	<ul style="list-style-type: none"> <li>▸ Availled as a social equity and reduced percentage of its applicable market value.</li> </ul>	x		x
	<ul style="list-style-type: none"> <li>▸ Land made available on a long-term lease for Social Housing and ancillary functions/amenities on the basis of 30-99 years lease arrangements at no cost to the partnering SHRA Accredited Housing Institution or private developers who have an interest in developing affordable rental housing in well located areas.</li> </ul>	x		
	<ul style="list-style-type: none"> <li>▸ The sale of land to accredited SHRA Social Housing Landlords after determination of financial feasibility by the municipality.</li> </ul>	x		
<b>Bulk infrastructure provision</b>	<ul style="list-style-type: none"> <li>▸ Municipal investment in or subsidy for bulk infrastructure (water, sewer, roads, electricity) to service affordable housing sites.</li> <li>▸ Leverage applicable grants and municipal capital budgets.</li> </ul>	x	x	x
<b>Development Charges Rebates</b>	<ul style="list-style-type: none"> <li>▸ Reduced Development levies/Capital contributions or other incentives for developments which accommodate affordable housing typology mix and for</li> </ul>	x		x

Financial Indicator	Description	Applicable affordable housing programme(s)		
		Social Housing	Breaking New Ground	FHF
	developments located in RZs or PSHDAs.			
<b>Municipal planning and building fees</b>	<ul style="list-style-type: none"> <li>Waiver of the planning and building plan fees for affordable housing development</li> </ul>	x		x
<b>Non-Financial Incentives</b>				
<b>Height, Parking, Floor Area Ratios and Coverage Relaxations</b>	<ul style="list-style-type: none"> <li>Reduction in parking ratios to at least 0.5 bays per unit relative to medium to high density developments.</li> <li>Other parameters to be considered for specific sites as per the site development plan to the satisfaction of the local municipalities.</li> </ul>	x	x	x
<b>Streamline and fast-tracked development</b>	<ul style="list-style-type: none"> <li>Streamline and speed up the management of planning and building applications while adhering to statutory responsibilities.</li> <li>Implement reliable and efficient tracking systems to ensure speedy circulation and sign offs by relevant municipal departments and officials (project champions).</li> <li>Establish a Help Desk with the intention to have an official as the facilitator for processes and approvals.</li> </ul>	x		x
<b>Densification (Density Bonuses)</b>	<ul style="list-style-type: none"> <li>Increase allowable height through further densification to optimise use of targeted land and properties earmarked as development nodes for affordable</li> </ul>	x	x	x

Financial Indicator	Description	Applicable affordable housing programme(s)		
		Social Housing	Breaking New Ground	FHF
	<p>housing purpose and mixed typologies along prescribed corridors.</p> <ul style="list-style-type: none"> <li>▸ All design and planning elements to be considered in holistic manner and the relevant and necessary incentives and concessions verifiable.</li> </ul>			
<b>Project packaging</b>	<ul style="list-style-type: none"> <li>▸ Key elements of project packaging undertaken by the municipality to include: <ul style="list-style-type: none"> <li>▪ Rezoning/subdivisional approval</li> <li>▪ Town planning approval fees</li> <li>▪ Baseline/Feasibility studies</li> </ul> </li> </ul>	x		x
<b>Facilitation of community support</b>	<ul style="list-style-type: none"> <li>▸ Through the Office of the Speaker and relevant community services departments/units mobilise community support for human settlement developments</li> <li>▸ Sign Community Social Compacts.</li> </ul>	x	x	x

### 8.2.2 Operational Incentives (Post-Construction)

These incentives apply during the operational phase to ensure long-term affordability and sustainability.

Table 2: Operational incentives (post-construction)

Indicator	Description	Applicable affordable housing programme(s)		
		Social Housing	Breaking New Ground	FHF
<b>FINANCIAL INCENTIVES</b>				
<b>Property rates rebates</b>	<ul style="list-style-type: none"> <li>Phasing in of property rates charges over four financial years from the first property evaluation through a supplementary valuation roll after the issue of an occupation certificate, provided that approval be obtained from the national Minister of Co-operative Governance and Traditional Affairs.</li> </ul>	x		
<b>Utility charges reductions</b>	<ul style="list-style-type: none"> <li>Set all municipal service and utility charges at a base residential level which should be part of the Corporate Municipal Credit Control Policy.</li> <li>Reduction of utility charges and in many instances the appropriate allocation of tariff groups for formal blocks with affordable rentals. This is to ensure that utility charges in blocks for 'affordable rentals' are charged at 'base residential' tariff pertaining to electricity, water, sewerage and waste disposal.</li> </ul>	x		

### 8.2.3 End User Incentives

These incentives apply directly to end-user households and are designed to enhance affordability and promote long-term sustainability at the individual level.

Table 3: End-user incentives

Indicator	Description	Applicable affordable housing programme(s)		
		Social Housing	Breaking New Ground	FHF
<b>FINANCIAL INCENTIVES</b>				
<b>Indigent support</b>	<ul style="list-style-type: none"> <li>Proactively assist eligible households to register for and access Free Basic Services in accordance with the Municipal Indigent Policy.</li> </ul>	x	x	x

#### 8.2.4 Incentives applicable to small scale rental landlords

The provision of incentives and support for small scale affordable rental in the GRDM will result in the provision of more and improved housing options as well as economic empowerment for distressed property owners/small scale property developers. The following incentives shall apply to small scale rental landlords:

##### *Designation of Overlay Zones*

GRDM municipalities are encouraged to designate certain areas to support small scale affordable rental housing (using overlay zones). Overlay zones should encourage where small scale rental housing market is strong and development is already happening, as well as where the municipality would like to direct development. GRDM municipalities can thus amend their land use by-laws to enable the development of multiple structures to be erected on a residential property as of right in designated areas. This incentive will save costs and processes associated with special applications to enable the erection of small-scale affordable rental accommodation.

##### *Engineering Services*

GRDM municipalities must in overlay zones designated for small-scale affordable rentals where financially feasible determine how to extend bulk and link infrastructure to make basic services, including free basic services, available to tenants in small-scale affordable rental accommodation. The municipalities should consider development charges waivers and exemptions including service connection costs where affordable.

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Separate metering to measure tenant household utility consumption should be promoted. This has the benefit of providing improved access for tenants reduction of the potential conflict between tenants and landlords relating to liability for shared services. The municipalities will receive the benefit of certainty in revenue streams due to formalising billing processes with the tenants.

#### *Building Plans Support*

The GRDM municipalities can provide support and assistance to facilitate self-build construction, including providing prototypical plans as well as provision of technical advice to small scale rental landlords. Incentives on building plan fees should be applicable to this category as well.

#### *Consumer Education*

GRDM municipal rental advice desks can provide dedicated support to landlords and tenants participating in the incentive programme. This will encourage conflict resolution and strengthen tenure security. The service could include referrals to the Western Cape Provincial Rental Housing Tribunals.

#### *Other Financial Incentive for Small Scale Rental Landlords*

- Property rebates
- Indigent tenant support

#### **8.2.5 Incentives applicable to Inclusionary Housing**

The GRDM municipalities should include the provision of inclusionary housing as a condition in certain instances (where feasible) where it is entering into partnerships with developers (e.g. in instances where the municipalities are providing land or substantial financing/provision of key infrastructure for the development). Developers may also volunteer to participate in the incentive scheme applicable to inclusionary housing. Where Inclusionary Housing is applicable, it is to be implemented as a condition for development (in land use/development approvals) by the GRDM municipalities. In case of contravention, the municipalities shall take action against developers/owners who do not comply with the conditions for Inclusionary Housing outlined in land use/development approvals, as with any condition of approval.

The developers shall have the following options or combination thereof to satisfy the Inclusionary Housing component

- 
- % of dwelling units falling into affordable housing – social housing, FHF (formerly FLISP) or housing with a rental cap prescribed by the municipality

The GRDM municipalities shall determine a percentage (%) applicable for Inclusionary Housing per development which shall not exceed 30% of the total units unless volunteered so by the developer.

In this regard the following incentives shall apply:

- Increase in FAR equal to the total % of inclusionary housing (max 50% increase).
- Increase in density (in du/ha) to accommodate the extra units.
- Parking reduction for inclusionary units.
- The GRDM municipalities may where feasible and affordable contribute financial incentives to inclusionary housing developments at the municipality's discretion

## 9 QUALIFYING CRITERIA

This section outlines the minimum eligibility requirements for affordable housing projects to qualify for municipal incentives. These criteria are designed to ensure that incentives are allocated to projects that demonstrably contribute to the municipality's spatial, social, and economic development goals. All applications must satisfy the general principles of this policy and the specific criteria for the relevant housing instrument below.

### 9.1 Social Housing

To qualify for the incentives outlined in this chapter, a Social Housing project must meet all the following criteria:

- The property must be registered in the name of a SHRA-accredited SHI or ODA (whether fully or conditionally) and must provide residential units to tenants whose gross monthly household income falls within the official SHRA-determined income bands (as per current legislated income criteria and may be adjusted accordingly through Ministerial/National Policy directives).
- The project must be located within a designated RZ.

### 9.2 BNG Housing

To qualify for the incentives outlined in this chapter, a BNG Housing project must meet all the following criteria:

- The project must target households registered on the municipal housing demand database, with a gross monthly income of R0 - R3 500 (income brackets as per current legislated income criteria and may be adjusted accordingly through Ministerial/National Policy directives)..
- The project must be located on municipal-owned or acquired land that aligns with the municipal Spatial Development Framework and Human Settlements Sector Plan.

### **9.3 FHF**

To qualify for the incentives outlined in this chapter, an FHF/Gap Housing project must meet all the following criteria:

- The development must primarily target households with a gross monthly income between R3 501 - R22 000 (income brackets as per current legislated income criteria and may be adjusted accordingly through Ministerial/National Policy directives).
- Units must have a maximum selling price cap, to be determined and reviewed annually by the municipality based on the FHF bands and market analysis.
- Priority will be given to projects that promote spatial restructuring, including inclusionary housing in middle-income areas and developments within PSHDAs.

### **9.4 Small Scale Rental Landlords**

To qualify for the incentives, landlords must own a minimum residential units (as defined by the local municipality) for trade purposes which exclude their primary residence. Municipal approval of building plans for the units is a requirement for participation. This includes Alternate Building Materials and Technologies (ABTs). Incentives applicable to small scale landlords are included in this policy.

### **9.5 Developments with Inclusionary Housing Component**

Incentives applicable to inclusionary housing are included in this policy.

## **10 MONITOR AND EVALUATION FRAMEWORK**

A consolidated Monitoring and Evaluation (M&E) Tool will be used to measure the performance and impact of this incentive policy. The table below outlines the key performance indicators and specifies which housing instrument(s) they apply to. The GRDM will be responsible for district-level oversight and consolidation of reports, while individual local municipalities are responsible for data collection, project-level tracking, and annual reporting.

Table 4: Monitoring and evaluation framework

Indicator category	Specific indicator	Affordable housing programme(s)			Data source
		Social Housing	Breaking New Ground	FHF	
<b>Financial impact</b>	Total value of municipal land availed (through long-term lease or outright sale)	x			Municipal Valuer & Asset Register
	Total value of development charge & fee rebates/waivers	x		x	Municipal Finance System
	Total value of property rates rebates/phasing	x		x	Municipal Valuation Roll & Billing
	Total private sector/SHL investment leveraged	x		x	Project Business Plans & Audits
<b>Delivery output</b>	Number of affordable rental units developed and occupied	x			Housing Inspectorate & SHRA Reports
	Number of state-subsidised (BNG) top structures delivered		x		Project Completion Certificates
	Number of gap market units developed and sold			x	Deeds Office & Municipal Records
<b>Socio-economic outcome</b>	Number of households earning R0 - R3,500 housed		x		Housing Allocation Lists

Indicator category	Specific indicator	Affordable housing programme(s)			Data source
		Social Housing	Breaking New Ground	FHF	
	Number of households earning R1 850 - R22,000 in rental units	x			SHRA Tenant Reports
	Number of households earning R3 501 - R22 000 achieving ownership			x	FLISP Approval Records & Deeds
<b>Spatial transformation</b>	Number/Percentage of units delivered in RZs/PHSHDAs	x	x	x	GIS Mapping & SDF Alignment
	Number of inclusionary housing units in middle/high-income areas			x	Town Planning Approvals

## 11 MEASURES FOR NON-PERFORMANCE

Incentives may expire if a project does not commence within 12 months after approval of the application. If the incentive application is cancelled, the landowner and/or developer may be liable to repay any rebates received. Any issues that may delay the commencement of the project such as funding, bulk infrastructure availability, and others must be communicated with the municipality within 12 months.

## 12 INSTITUTIONAL ARRANGEMENTS

Each municipality will constitute an Incentives Evaluation Committee to consider applications consisting of (as a minimum) the Chief Financial Officer, Director or Manager Human Settlements, Director or Manager Planning, Director or Manager Technical Services as well as Legal Services. The Municipal Evaluations Committee will consider the submitted application/s and determine whether the application/s meets all minimum qualifying criteria. Final approval based on the recommendations of the Incentive Evaluation Committee is to be granted by the respective Municipal Managers or Councils depending on the delegation of authority. To ensure

effective implementation of the Incentive Policy Framework, the following Departments/ Divisions should be responsible for the management of certain incentives:

<b>Role-players</b>	<b>Key responsibility</b>
<b>Municipal Managers</b>	<ul style="list-style-type: none"> <li>▸ Act as a one-stop shop for all incentives in the municipalities.</li> <li>▸ Responsible for onwards submission to municipal councils or approvals as per delegated authority</li> </ul>
<b>Municipal Human Settlements Departments / Divisions</b>	<ul style="list-style-type: none"> <li>▸ Responsible for the development, administering and monitoring of the Investment Incentive Policy.</li> </ul>
<b>Municipal Spatial Planning Departments / Divisions</b>	<ul style="list-style-type: none"> <li>▸ Responsible for conceptualising spatial targeting of incentives in identified PSHDAs, Restructuring Zones and other areas designated for affordable housing development and inclusionary housing.</li> <li>▸ Land identification</li> <li>▸ Projects pipeline planning and packaging</li> </ul>
<b>Municipal Engineering, Finance, Building Control and Land-use Management Divisions</b>	<ul style="list-style-type: none"> <li>▸ Responsible for the provision of certain incentives and services.</li> </ul>

### **13 IMPLEMENTATION PLAN**

Each municipality should develop a concise implementation plan that informs a project pipeline. The Implementation Plan may include the various scenarios drawn from the Financial Incentive Model to demonstrate financial feasibility of the project; the units and officials responsible for implementation; tracking process and progress as well as details of overall incentive programme management.

### **14 POLICY REVIEW**

This policy should be reviewed and updated every 3 years or earlier, should substantial amendments to national or provincial legislation or regulations arise.

# 15 ANNEXURE A – FINANCIAL INCENTIVE MODEL LAYOUT

## USER INTERFACE SHEET



Select Municipality

Drop-down to select municipality

Link to Tab

User Manual

Calculations

Output Incentive Input

INCENTIVE	DEFAULT (Per Unit)	USER INPUT	ONCE OFF PAYMENT
Land	Select Municipality		
Development Charges	Select Municipality		
Service Connection: Water	Select Municipality		
Service Connection: Sewer	Select Municipality		
Service Connection: Electricity	Select Municipality		
Municipal Fees: Town Planning – Rezoning Application	Select Municipality		
Municipal Fees: Building Plans	Select Municipality		
Property Rates	Select Municipality		
Fire Levy	Select Municipality		
Refuse	Select Municipality		
Electricity	Select Municipality		
Sewer	Select Municipality		
Water	Select Municipality		

Insert actual amounts/charges used by the municipality

ASSUMPTIONS	
Cost Increase (Inflation)	3,90% (Stats SA, July 2025)
Income Increase	1,00% (Assumed)

## CALCULATIONS SHEET

Insert number of units

Incentive % selection

> Select < Calculations

Incentive Selection (%)

Link to Tab: User Manual, User Interface, Output

Number of Units	YR 1	YR 2	YR 3	YR 4	YR 5	YR 6	YR 7	YR 8	YR 9	YR 10	TOTAL
	200	250	248								698

	YR 1	YR 2	YR 3	YR 4	YR 5	YR 6	YR 7	YR 8	YR 9	YR 10	TOTAL
<b>TOTAL COST OF INCENTIVE</b>											
Land	R	R	R	R	R	R	R	R	R	R	R
Development Charges	R	R	R	R	R	R	R	R	R	R	R
Service Connection: Water	R	R	R	R	R	R	R	R	R	R	R
Service Connection: Sewer	R	R	R	R	R	R	R	R	R	R	R
Service Connection: Electricity	R	R	R	R	R	R	R	R	R	R	R
Municipal Fees: Town Planning – Rezoning Application	R	R	R	R	R	R	R	R	R	R	R
Municipal Fees: Building Plans	R	R	R	R	R	R	R	R	R	R	R
Fire Levy	R	R	R	R	R	R	R	R	R	R	R
Refuse	R	R	R	R	R	R	R	R	R	R	R
Electricity	R	R	R	R	R	R	R	R	R	R	R
Sewer	R	R	R	R	R	R	R	R	R	R	R
Water	R	R	R	R	R	R	R	R	R	R	R
<b>MUNICIPAL REVENUE GENERATED</b>											
Property Rates	R	R	R	R	R	R	R	R	R	R	R
Fire Levy	R	R	R	R	R	R	R	R	R	R	R
Refuse	R	R	R	R	R	R	R	R	R	R	R
Electricity	R	R	R	R	R	R	R	R	R	R	R
Sewer	R	R	R	R	R	R	R	R	R	R	R
Water	R	R	R	R	R	R	R	R	R	R	R
<b>NET PROFIT (LOSS)</b>	R0	R0	R0	R0	R0	R0	R0	R0	R0	R0	R0

# OUTPUT SHEET

Link to Tab  
User Manual User Interface

> Select <

Assessment Criteria	Benchmark	Source	Municipal Outcomes	Score (0 -1)
Audit Outcome	Unqualified	NT		0
Own Revenue (%)	70% +	NT		1
Current Ratio	1,5 - 2,0	NT		1
Cash Balance	Positive	NT		1
Cash Coverage	3 months +	NT		1
Revenue Collection Rate	95% +	NT		1
Positive State of Local Government Report	Low - Medium	NT		0
<b>Total</b>				<b>71,4%</b>

**Level of Incentive Determination:**

1. Score of 75% or more allows for a suggested incentive offering of up to 25%
2. Score of between 50% and 74% allows for a suggested incentive offering of up to 10%
3. Score of 49% or less suggests that the municipality should delay offering financial incentives

## Municipal Finance and Governance Assessment Scores



**Recommendation**

It is recommended that the municipality consider an incentive offering of up to 10% given the assessment score.

**CURRENT INCENTIVE SELECTION SUMMARY**

Incentive (%) Selected	10%
Total Cost of Incentive	R -
Total Revenue Generated	R -
Net Profit/Loss	-

Indicates the status of the municipality – governance and finance to afford incentives

# INCENTIVE INPUT (DISTRICT)

Cost per unit per incentive indicator – municipality to input

Link to Tab  
User Manual User Interface Calculations

Generated

INCENTIVE: ESTIMATED COST PER UNIT													
Model Inputs for Local Municipality Costs													
Incentives Input (Cost Table)													
Municipal Outcomes Inputs													
Incentives Input Cost Table (Per unit)										Revenue			
LM/INCENTIVES	Land	Development Charges	Service Connection: Water	Service Connection: Sewer	Service Connection: Electricity	Municipal Fees: Town Planning – Rezoning Application	Municipal Fees: Building Plans	Property Rates	Fire Levy	Refuse	Electricity	Sewer	Water
Bitou Local Municipality	R 100 000,00	R 65 000,00	R 3 486,00	R 11 079,00	R 3 775,00	R 103,39	R 2 316,00	R 6 643,74	R 996,00	R 4 812,12	R 2 484,00	R 4 768,08	R 2 820,48
George Local Municipality	R 92 515,00	R 68 548,00	R 3 457,00	R 11 632,00	R 3 783,00	R 146,00	R 2 353,00	R 7 193,00	R 996,00	R 4 812,12	R 2 484,00	R 4 768,08	R 2 820,48
Hessequa Local Municipality	R 81 609,00	R 63 892,00	R 3 573,00	R 10 878,00	R 3 785,00	R 109,00	R 2 349,00	R 7 025,00	R 996,00	R 4 812,12	R 2 484,00	R 4 768,08	R 2 820,48
Kannaland Local Municipality	R 83 091,00	R 67 684,00	R 3 589,00	R 12 000,00	R 3 668,00	R 100,00	R 2 313,00	R 7 234,00	R 996,00	R 4 812,12	R 2 484,00	R 4 768,08	R 2 820,48
Krystna Local Municipality	R 81 209,00	R 65 912,00	R 3 161,00	R 10 653,00	R 3 785,00	R 136,00	R 2 355,00	R 7 190,00	R 996,00	R 4 812,12	R 2 484,00	R 4 768,08	R 2 820,48
Mossel Bay Local Municipality	R 101 123,00	R 69 006,00	R 3 429,00	R 11 818,00	R 3 786,00	R 140,00	R 2 399,00	R 6 863,00	R 996,00	R 4 812,12	R 2 484,00	R 4 768,08	R 2 820,48
Outshoorn Local Municipality	R 112 939,00	R 69 274,00	R 3 517,00	R 10 899,00	R 3 705,00	R 103,00	R 2 335,00	R 6 600,00	R 996,00	R 4 812,12	R 2 484,00	R 4 768,08	R 2 820,48

  

Financial Health Indicators*	Audit Outcome	Own Revenue (%)	Current Ratio	Cash Balance (R Mil)	Cash Coverage	Revenue Collection Rate	Positive State of Local Government Report
Bitou Local Municipality	Unqualified	77,0%	1,16	R153	10,1	91,2%	Medium
George Local Municipality	Unqualified	65,0%	3,76	R4 000	70,8	96,1%	Medium
Hessequa Local Municipality	Unqualified	82,0%	4,1	R665	48,3	95,9%	Low
Kannaland Local Municipality	Disclaimer	67,0%	1,43	R172	47,5	92,6%	High
Krystna Local Municipality	Unqualified	83,0%	0,76	R54	4,2	91,4%	Medium
Mossel Bay Local Municipality	Unqualified	86,0%	1,7	R1 047	68,6	93,0%	Low
Outshoorn Local Municipality	Unqualified	80,0%	1,8	R154	16,6	94,1%	Medium

Source: Municipal Money  
 \*2021 data is the latest on the site

Municipal performance indicators – municipality to input per indicator