



A FEASIBILITY STUDY ON THE
DEVELOPMENT OF POLOKWANE EXTENSION
76 AND 107 IN POLOKWANE MUNICIPALITY

DRAFT OPTIONS ANALYSIS REPORT
SUBMITTED TO POLOKWANE MUNICIPALITY



BY NEXIA SAB & T CONSORTIUM

2 December 2015

Copyright owned by:



Project Manager: Mr. Shimi S. Maimela
35 Landros Mare Street, Polokwane
P O Box 1157, Ladanna, 0704
Tel: 015 291 2314
Fax: 015 295 6259

Report prepared by:



Project Manager: Mr. Moses Sindane
119 Witch-Hazel, Centurion
P.O. Box 10512 Centurion, 0046
Tel: 012 682 8800
Fax: 012 682 8801

TABLE OF CONTENTS

1	INTRODUCTION	4
1.1	BACKGROUND.....	4
1.2	STUDY AREA	4
1.2.1	Site 1: Polokwane Extension 107 (11.4 hectares).....	4
1.2.2	Site 2: Polokwane Extension 76 (1.5 hectares)	5
1.3	PROJECT APPROACH	5
1.4	RATIONALE FOR THE OPTIONS ANALYSIS REPORT.....	6
1.4.1	Evaluation of the options.....	6
1.4.2	Best option.....	6
2	EVALUATION CRITERIA	6
2.1	COMPLIANCE TO HOUSING REGULATION AND FUNDING REQUIREMENTS.....	7
2.2	COMPLIANCE TO THE LOCAL TOWN PLANNING SCHEME AND OTHER REGULATORY REQUIREMENTS	7
2.3	VALUE ADDITION TO POLOKWANE MUNICIPALITY'S HOUSING BACKLOG	8
2.4	PROMOTION OF AN INTEGRATED HUMAN SETTLEMENT VISION.....	8
2.5	SOCIO-ECONOMIC IMPACTS	8
2.6	AFFORDABILITY (TARGETED BENEFICIARIES)	9
2.7	CONCEPTUAL VIABILITY AND BANKABILITY	9
3	EVALUATION OF THE PROPOSED OPTIONS	10
3.1	OPTIONS FOR POLOKWANE EXTENSION 76 (1.5 HECTARES)	10
3.2.	OPTIONS FOR EXTENSION 107 (11.4 HECTARES)	11
4	OPTIONS RECOMMENDED FOR DETAILED VALUE ASSESSMENT	12
4.1	RECOMMENDED OPTIONS FOR POLOKWANE EXTENSION 76	12
4.2	RECOMMENDED OPTIONS FOR POLOKWANE EXTENSION 107	12
5	CONCLUDING REMARKS	12

1 INTRODUCTION

1.1 Background

On the 10th of September 2015, Nexia SAB & T Consortium was appointed by Polokwane Municipality to conduct a feasibility study on the development of Polokwane Extension 76 and Polokwane Extension 107.

1.2 Study Area

While the two urban sites are all near residential communities, they both have distinct surrounding housing typologies.

1.2.1 Site 1: Polokwane Extension 107 (11.4 hectares)

Site 1 is about 10 km west of Polokwane CBD along Polokwane drive. The site is about 4km from Ladanna. On the west to the site towards Seshego Township is a temporary informal settlement. The municipality would have to follow the processes set out in the Prevention of Illegal Eviction Act, amongst others in order to evict such occupants. Overlooking the site, to the north and east is a new bonded gap housing project that has since been sold out in full. Bulk infrastructure lines are within reach to Site 1. The site will need a traffic impact study. No wetlands were observed.



Figure 1: Polokwane Extension 107

1.2.2 Site 2: Polokwane Extension 76 (1.5 hectares)

Site 2 is about 8km south west of Polokwane CBD along Matlala road. Unlike Site 1, extension 76 (1.5 hectares) is part of a developed township area. Polokwane extension 76 largely has RDP houses. The site will also need a traffic impact study. No wetlands were observed. There is access to schools, hospitals, clinics, shopping centres and retail centres, police station, the CBD and key destinations in Polokwane.



Figure 2: Polokwane Extension 76

1.3 Project Approach

The project kicked off with an inception meeting followed by a due diligence, needs and market analysis and we are currently finalizing the options.

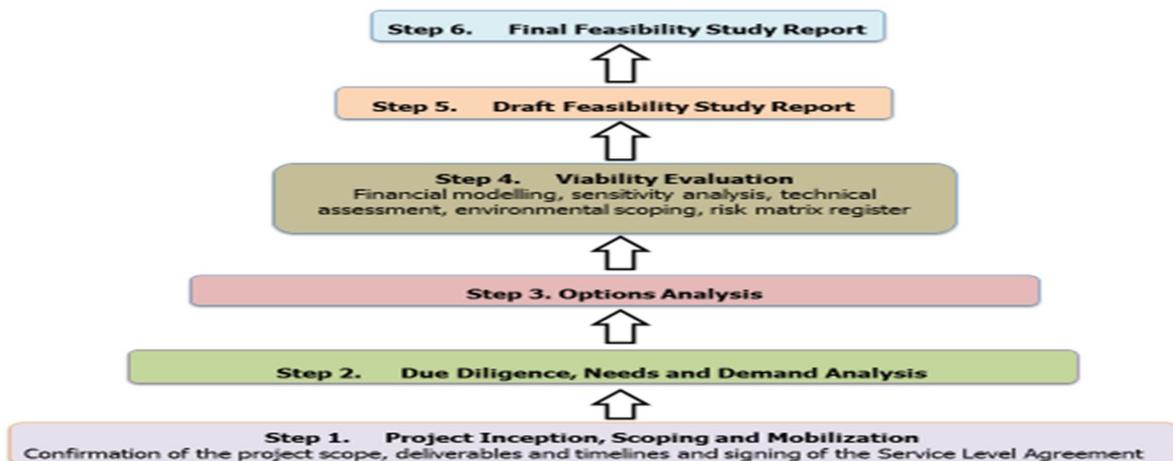


Figure 3: Project Approach

1.4 Rationale for the Options Analysis Report

The Options Analysis phase of the project is one of the necessary steps which starts with the development of evaluation criteria for various housing options; listing of all various housing typology options for each of the sites; subjecting the options to the evaluation criteria; then selecting the best options which will undergo further scrutiny during the final phases of the project.

1.4.1 Evaluation of the options

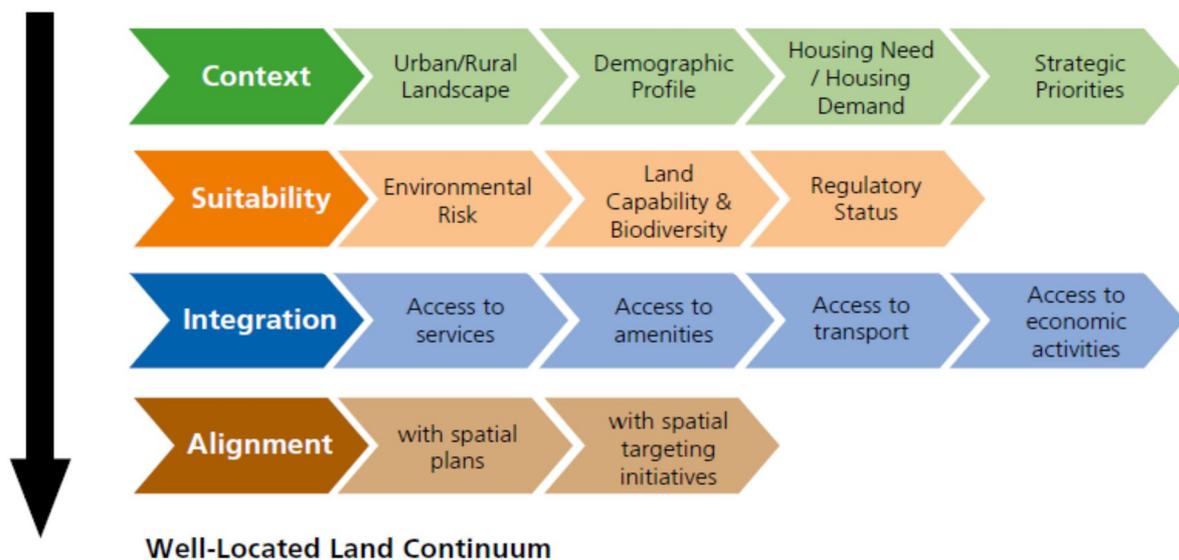
The selection criteria will then be employed to scientifically evaluate the options and come up with the best option based on the scoring approach.

1.4.2 Best option

The best option for each of the site is recommended for detailed costings, financial modelling and other investigations.

2 EVALUATION CRITERIA

Our evaluation criteria are aligned to the Housing Development Agency (HDA) land identification and assessment model that emphasizes on the below key issues.



The HDA land continuum embraces the principle that an integrated approach to land identification for sustainable human settlements is essential. This approach requires a

holistic understanding of development needs and the importance of resources to provide a wide range of social and economic programmes. These, together with the delivery of housing, infrastructure and facilities, need to be addressed in an integrated and sustainable way.

Emanating from the afore-mentioned criteria; the project purpose; terms of reference; socio-economic and institutional issues; the following eight (8) criteria were selected for evaluation of the various housing options for the two sites in Polokwane:

- i. Compliance to housing regulation and funding requirements;
- ii. Compliance to the local town planning scheme and other regulatory requirements;
- iii. Value addition to Polokwane housing backlog;
- iv. Promotion of the integrated human settlements vision;
- v. Potential socio economic impacts (e.g. jobs and business opportunities etc.);
- vi. Affordability to the targeted end users;
- vii. Conceptual viability and bankability (Internal Rate of Return).

Each of the above criteria and their importance is discussed below.

2.1 Compliance to housing regulation and funding requirements

Non-compliance to the Social Housing Regulatory Authority (SHRA) and other regulations can have very serious, and sometimes devastating, commercial consequences. Against an increased level of regulatory scrutiny and ethical expectations, compliance has moved up the corporate boardroom agenda. As a result, ensuring compliance with both local and international laws should be part of the ordinary, day-to-day activities of a company.

More and more companies are seeing increased value in investing in strong compliance programmes because these programmes not only prevent infringements, but may also serve to mitigate fines if an infringement has been committed. Regular health checks and clear procedures for reporting concerns are also critical to promoting effective compliance. The national housing code for instance defines specific technical requirements for suitably located land for human settlements including level topography; storm water management; favourable soil conditions; connection to municipal water and sewer.

2.2 Compliance to the local town planning scheme and other regulatory requirements

Each local municipality has its own set of rules for each of the areas within the town or city concerning the quality and quantity of buildings that should or should not be implemented in

a particular area. Failure to submit building plans will constitute non-compliance to Municipal regulations. Municipal regulations are guided by the following general principles and objectives for such land development or use, namely:

- To discourage the illegal occupation of land;
- To promote efficient and integrated land development.
- To actively involve members of community affected by land development;
- To promote sustainable land development at the required scale.
- To promote speedy development;
- To judge each new development on its own merits and no particular use should be regarded as less important or desirable than any other use;
- To ensure that land development results in security in tenure;
- To ensure the effective functioning of a land development marked based open competition between suppliers of goods and services.

2.3 Value addition to Polokwane Municipality's housing backlog

Polokwane Municipality's official waiting list holds about 30,500 applicants of which 22,693 are within Seshego or City area, 2,331 in the Sebayeng / Mankweng and 5,555 in the rural areas of the municipality¹. All other things being equal (play area, amenities etc.), the proposed housing developments are expected to reduce the current backlog.

2.4 Promotion of an integrated human settlement vision

The objective of an integrated human settlements implies that the housing offering needs to have adequate access to services, amenities, transport services and economic services. Local area planning and design must prioritise projects and sites that achieve higher levels of integration, to ensure that the necessary restructuring of human settlements begins to take shape.

2.5 Socio-economic impacts

Various socio-economic impacts and empowerment can arise from a housing development including among others:

- Permanent and temporary job opportunities;
- Opportunities for local entrepreneurs or companies to be contracted/sub-contracted for construction, engineering or Project Management;

¹ 2015 IDP, Polokwane Municipality

- Opportunities for temporary and permanent employment for locals.

2.6 Affordability (targeted beneficiaries)

The most recommended option should be affordable to the targeted beneficiaries.

2.7 Conceptual viability and bankability

The ultimate viability and bankability expressed in terms of the Net Present Value (NPV) and the Internal Rate of Return (IRR) is key in determining the probability of the project being implemented from the developer perspective. A project that scores only all other criteria and fails a bankability test is likely to be un-attractive to developers.

3 EVALUATION OF THE PROPOSED OPTIONS

A 0 to 100 percent level of importance (weighting) was attached to the evaluation criteria components as below. Each of the three options per site was scored on a 1 to 5 scale (1-poor; 2-fair; 3-average; 4-good and 5-excellent). The maximum possible total weighted score is 500. The option with the highest total weighted score is the most recommended.

3.1 Options for Polokwane Extension 76 (1.5 hectares)

Evaluation Criteria	Weighting	Option 1 Social housing: 132 units in total		Option 2 Social Housing: 190 units in total		Option 3 Rental Gap housing: 98 units in total	
		Score	Total weighted score	Score	Total weighted score	Score	Total weighted score
Compliance to housing regulation and funding requirements	10%	5/5	50	5/5	50	5/5	50
Compliance to local town planning and other regulations	5%	5/5	25	5/5	25	5/5	25
Value addition to Polokwane Municipality housing backlog etc.	30%	4/5	120	5/5	150	2/5	60
Promotion of integrated human settlement vision	10%	3/5	30	3/5	30	3/5	20
Potential socio-economic impact	5%	4/5	20	5/5	25	3/5	15
Affordability (To targeted beneficiaries)	5%	5/5	25	5/5	25	3/5	15
Conceptual viability and bankability i.e. (IRR)	35%	2/5	70	3/5	105	4/5	140
Totals	100%		340/500		410/500		325/500
Ranking and recommendation			2		1		3

3.2. Options for Extension 107 (11.4 hectares)

Evaluation Criteria	Weighting	Option 1 Gap housing: 627 units in total		Option 2 Gap housing: 741 units in total		Option 3 Mixture: 502 social housing units and 724 gap housing units. See Annexure A	
		Score	Total weighted score	Score	Total weighted score	Score	Total weighted score
Compliance to housing codes and funding requirements	10%	5/5	50	5/5	50	5/5	50
Compliance to local town planning and other regulations	5%	5/5	25	5/5	25	5/5	25
Value addition to Polokwane housing backlog	30%	3/5	90	4/5	120	5/5	150
Promotion of integrated human settlement vision	10%	5/5	50	5/5	50	3/5	30
Potential Socio-economic impact	5%	3/5	15	4/5	20	4/5	20
Potential affordability	5%	5/5	25	5/5	25	5/5	25
Conceptual viability and bankability i.e. (IRR)	35%	4/5	140	4/5	140	3/5	105
Totals	100%		395/500		430/500		405/500
Ranking and recommendation			3		1		2

4 OPTIONS RECOMMENDED FOR DETAILED VALUE ASSESSMENT

4.1 Recommended Options for Polokwane Extension 76

As indicated above, the recommended development scheme for Polokwane Extension 76 is Option 2 (with social housing only) highlighted below. Above all factors imbedded in the evaluation criteria, the option gets very well with the surrounding housing typologies (RDP housing mainly) in the area.

Option 2 details:

Building Typology	Description	Unit Size (Sq mtrs)	Allocation	Number of Units
1	1 bed room	37	30%	57
2	2 bed rooms	42	60%	114
3	3 bed rooms	48	10%	19
Totals				190

4.2 Recommended Options for Polokwane Extension 107

The most recommended option for Polokwane Extension 107 is option 2 with the details below. The option will provide leverage to Polokwane Municipality in terms of providing additional space for amenities, social and business services (enhancing the competitiveness of the gap housing project) and is aligned to the adjacent gap housing project. The amount of housing units is also sizeable enough to add value in reducing the housing backlog.

Building Typology	Description	Unit Size (Sq mtrs)	Allocation	Number of Units
2	2 bed rooms	42	70%	519
3	3 bed rooms	48	30%	222
Totals				741

5 CONCLUDING REMARKS

A more detailed value assessment will be performed on the recommended and approved options.