

REPUBLIC OF SOUTH AFRICA



National Department of Housing

**BENEFICIARY AND HOUSING SUBSIDY
ADMINISTRATION**

Project Linked Greenfield Subsidy Project Developments

*Generic Specification GFSH-5
August 2002*

Introduction

The National Housing Code in Chapter 2 of Part 3 provides a set of general rules in order to establish eligibility criteria, the value of the subsidy and how the subsidy should be used. Specific requirements for the administration of subsidies in project linked subsidy housing projects is contained in Chapter 3 of Part 3. This generic specification establishes requirements for the administration of subsidies in project linked subsidy housing projects.

The Developer is, in terms of the Project Agreement with the Provincial Government, responsible for beneficiary and housing subsidy administration and is accordingly the Administrator as defined in this generic specification. The Developer may, however, contract this obligation to a professional service provider, in which case the professional service provider is the Administrator. In terms of the National Housing Code, however, a natural or juristic person contracted to construct houses is not permitted to collect contributions.

Government has decided that beneficiaries must contribute towards the achievement of access to housing subsidies from 1 April 2002. This contribution can be achieved by participating in a People's Housing Process project or where a beneficiary elects not to participate in such a project and opted for a contractor built house, a financial contribution of R2 479,00.

Existing owners of properties who acquired their residential stands through their own means and who need housing assistance to build or upgrade existing structures that will comply with the Ministerial Norms and Standards, (excluding consolidation subsidy beneficiaries) and who apply for a subsidy, are excluded from the requirement of making a contribution. The fact that they have already bought the stand from their own resources, will constitute the required contribution. The total approved subsidy amount will furthermore be utilised for house building purposes thereby enhancing the quality of the product.

Developers may not receive the third tranche payment in terms of the National Housing Code unless they have finalised the list of beneficiaries and have collected all beneficiary contributions. Accordingly, the Developer may not proceed to affect transfer and to commence with the construction of the house, before the approved beneficiary has paid the contribution to the developer or its agent, be it the municipality or an external entity as the case may be.

This generic specification was prepared by the Task Team: Implementation of National Housing Programmes to facilitate compliance with the requirements of Chapter 3 of Part 3 of the National Housing Code and the provisions of the Housing Consumers Protection Measures Act (Act 95 of 1998).

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1. SCOPE

This specification contains requirements that are generally applicable for administering the allocation of subsidies in project linked subsidy housing projects in accordance with the provisions of the National Housing Code.

2 NORMATIVE REFERENCES

Department of Housing: National Housing Code.

Department of Housing. NHBRC Warranty Scheme enrolments and requirements. Generic specification GFSH-6.

Department of Housing. Application Form for a Housing Subsidy.

3 DEFINITIONS

Administrator: the natural or juristic person responsible for administering project linked housing subsidies.

Note: The Administrator is either the Developer or an agent of the Developer.

Beneficiary: a natural person who qualifies for a particular subsidy.

Beneficiary Contributions: a non-refundable deposit paid to the Administrator by non-Indigent Households as a contribution towards the realisation of their right to access housing through the Housing Subsidy Scheme.

Beneficiary Identification Phase: the period in the project cycle from the conclusion of the Project Agreement to the commencement of the construction of homes.

Consolidation Subsidy: a subsidy available to a Beneficiary who has already received state assistance to acquire a serviced residential site under a previous housing subsidy regime, on the basis of ownership, leasehold or deed of grant.

Developer: the agency that completes a feasibility study and undertakes an approved project by concluding a project agreement with the MEC responsible for housing matters.

Note: Only a municipality or a Provincial Housing Department, where a municipality does not yet have appropriate technical, financial or managerial capacity to act as a Developer, may be a Developer.

Disability: a permanent, or prolonged impairment of physical, intellectual, or sensory structure, or function, which results in restricted, or lack of, ability to perform an activity in the manner, or within the range, considered normal for a human being.

Disabled Person: an individual who has a Disability and as a result suffers from loss, or limitation, of opportunity to take part equally with others in the context of any activity relating to the execution of a Contract.

Housing Development: a project approved in terms of Chapter 3, Part 3 of the National Housing Code for the servicing of land and construction of houses for sale to beneficiaries using housing subsidy funds.

Household Income: the proven or declared gross monthly household income of the Beneficiary.

Home Builder: the natural or juristic person described as such in the generic specification GFSH-6 (NHBRC Warranty Scheme enrolments and requirements).

Housing Subsidy: a grant made available by the state to a Beneficiary for the acquisition of land, the provision of certain basic municipal engineering services and the construction of a permanent residential structure, in terms of Chapter 3 of Part 3 (Housing Subsidy Scheme – Project Linked Subsidies) of the National Housing Code.

Indigents: Beneficiaries earning R800 per month or less and which satisfy one or more of the following criteria:

- (i) Aged: male at the age of 65; female beneficiary at the age of 60;
- (ii) Disabled: person certified by a registered medical practitioner that is unable to construct his/ her own house;
- (iii) Health stricken : person, certified by a registered medical practitioner that is either temporary for the duration of the project, or permanently unable to construct his/ her own house.

Project Agreement: the contract between an MEC responsible for housing and the Developer for a Housing Development enrolled under the NHBRC Warranty Scheme in accordance with the provisions of the generic specification GFHS-6 (NHBRC Warranty Scheme enrolments and requirements), and prepared using the standard pro forma contract documentation.

Relocation Assistance: an offer made to borrowers who, in terms of Chapter 7 of Part 3 of the Housing Code, concluded right sizing agreements with participating financial institutions to enable such borrowers to relocate to more affordable housing.

Subsidy Administration Phase: the period in the project cycle from the time that a Beneficiary is declared eligible for a subsidy and has made the required Beneficiary Contribution, if any and the occupation of a home by that Beneficiary.

4 OBJECTIVES

4.1 Objectives of the Beneficiary Identification Phase

The objectives of the Beneficiary Identification Phase are to administer and manage the allocation of subsidies to Beneficiaries in a Housing Development in accordance with the provisions of the National Housing Code prior to the construction of houses.

4.2 Objectives of the Beneficiary Contribution Collection Phase

The objective of the Beneficiary Contribution Collection Phase is to collect all Beneficiary Contributions and to deposit monies received in an account nominated by the Developer.

4.3 Objectives of the Subsidy Administration Phase

The objective of the Subsidy Administration Phase is to administer and manage on the allocation of subsidies to Beneficiaries in a Housing Development in accordance with the provisions of the National Housing Code from the construction of houses to the completion of the project.

5 REQUIREMENTS

5.1 Beneficiary Identification Phase

5.1.1 Minimum requirements

The Administrator shall as a minimum in order to satisfy the objectives of the Beneficiary Identification Phase:

- a) identify potential Beneficiaries in accordance with the policies of the Provincial Government, and where applicable, in accordance with the Social Compact Agreement, if any, incorporated in the Project Agreement;
- b) assess whether or not a Beneficiary is in a position to pay the Beneficiary Contribution;
- c) assist Beneficiaries to complete the Application Form for a Housing Subsidy and submit such applications on their behalf to the Provincial Government;
- d) confirm that the following documents accompany the application forms:
 - i) a certified copy of the bar coded South African identity document containing a photograph of self and spouse;
 - ii) a certified copy of the page of the bar coded South African permanent residence identity document containing a photograph of self and spouse;
 - iii) a certified copy of a marriage certificate;
 - iv) a certified copy of a divorce settlement;
 - v) certified copies of birth certificates of all dependents;
 - vi) proof of Disability (ie completed Form A);
 - vii) a certified copy of most recent payslip of self and spouse;

- viii) proof of loan granted by lender;
 - ix) proof of payment of housing contribution; and
 - x) a copy of the sale agreement; and
- e) establish the eligibility of Beneficiaries for receipt of a Housing Subsidy in respect of the Housing Development in accordance with the provisions of 5.1.2;
- f) manage the allocation of Housing Subsidies so that the total number of Housing Subsidies, and, where applicable, the total number in each monthly household income band, approximates that provided for in the Project Agreement;
- g) conclude a sale agreement with the Beneficiary that is approved by the Provincial Government and:
- i) is in writing and in compliance with all relevant laws;
 - ii) is conditional upon the suspensive condition of the Provincial Government accepting; and
 - ii) granting the Beneficiary a Housing Subsidy;
 - iii) states the selling price;
 - iv) records all contributions paid to the Administrator;
 - v) stipulates the timing for the payment of Beneficiary Contributions, where applicable; and
 - vi) states the legal costs and who is responsible for paying legal costs associated with the transaction; and
- h) maintain records and report on Housing Subsidies applications and approvals; and
- i) collate all Housing Subsidy applications and maintain a data base which, in respect of each phase of the housing development, contains all the names and identity numbers of the Beneficiaries, the status of their application, the status of the Beneficiary (Indigent Household or non-Indigent Household), Beneficiary Contributions and other contributions due or paid and the quantum and category of Housing Subsidy and produce a report containing such data in respect of each phase of the housing development when called upon to do so by the Provincial Government.

Note: The legal costs should form part of the selling price and should not be “an add” on cost.

5.1.2 Eligibility criteria

5.1.2.1 Beneficiaries need to satisfy all of the following criteria, where relevant, in order to qualify for a subsidy:

- a) **identified as recipients of subsidies:** he or she is identified as being a potential Beneficiary in terms of the Provincial Government’s housing policies or, where applicable, a Social Compact Agreement;
- b) **married or has financial dependents:** he or she is married in terms of Civil Law or in terms of Customary Union or habitually cohabits with any other person, or he or she has proven financial dependents;
- c) **South Africa resident:** he or she is lawfully resident in South Africa i.e. is a citizen of the Republic of South Africa, or is in possession of a permanent resident permit;
- d) **competent to contract:** he or she is legally competent to contract , i.e. over 21 years of age or married or divorced and of sound mind;
- e) **monthly Household Income:** the quantum determined in accordance with the provisions of 5.1.2.5 does not exceed R 3 500.00;
- f) **not yet benefited from government funding:** neither that person nor his or her spouse or partner with whom he or she habitually cohabits, has previously derived benefits from the housing scheme, or any other state funded or assisted housing subsidy scheme which conferred benefits of ownership, leasehold or deed of grant or the right to convert title obtained to either ownership, leasehold or deed of grant, with the exception of the Consolidation Subsidy; and
- g) **first time owner:** he or she is acquiring the residential property for the first time, unless a Disabled Persons or and current owners of vacant stands purchased with own finances.

Note: In the event of a divorce, the terms of the divorce order will determine a beneficiary’s eligibility in terms of 5.1.2.1 e).

5.1.2.2 The provisions 5.1.2.1 a), e), f) and g) shall not apply to Disabled Persons.

5.1.2.3 The monthly Household Income shall be equated to the sum of:

- a) basic salary and / or wages;
- b) any allowances paid on a regular, monthly basis as part of an employment contract;
- c) loan interest subsidy, or other remuneration payable regularly on a monthly basis to the individual (and / or to his or her spouse) by his or her employer;
- d) any financial obligations met on behalf of the individual (or his or her spouse) on a monthly basis;

- e) commission payable to the individual (and / or his or her spouse,) on a monthly basis averaged over the preceding 12 month period;
- f) income received through self employment; and
- g) any retirement or disability benefits received on a regular basis.

Note: Where a person is paid weekly, wages shall be multiplied by 4,3 in order to convert such wages into a monthly one.

5.2 Beneficiary Contribution Collection Phase

The Administrator shall as a minimum in order to satisfy the objectives of the Beneficiary Contribution Collection Phase:

- a) ensure that the required Beneficiary Contributions are paid by all non-Indigent Households;
- b) ensure that any contributions in addition to the Beneficiary Contributions are paid or obtain written confirmation of approved credit by financiers and financial institutions to cover the difference between the selling price of the house and the residual Housing Subsidy;
- c) maintain easily accessible records and full particulars of all Beneficiary Contributions and other contributions which are paid; and
- d) provide data relating to Beneficiary Contributions for capture in the data base.

5.3 Subsidy Administration Phase

The Administrator shall as a minimum in order to satisfy the objectives of the Subsidy Administration Phase:

- a) ensure that arrangements are in place for the transfer of houses to Beneficiaries;
- b) ensure that contracts between the Home Builder and the Beneficiaries are in place for the sale or construction of the home and a Standard Home Warranty has been issued;
- c) ensure that the Home Builder issues a completion certificate;
- d) obtain letters of satisfactory completion signed off by Beneficiaries;
- e) maintain the data base on referred to in 5.1.1 h) and upload data relating to letters of satisfactory completion;
- f) produce a report containing such data in respect of each phase of the Housing Development when called upon to do so by the Provincial Government.