



Municipal approvals delay property development

by Antionette Slabbert, courtesy of Moneyweb.

Some projects just no longer viable: some approvals take up to three years.

Huge contributions to bulk services and delays in municipal approvals seriously hamper commercial property development in South Africa, says Harry Gey van Pittius, chairperson of the South African Affordable Residential Developers Association (Saarda).

The association hopes to discuss the issue in the near future with Lindiwe Sisulu, Minister of Housing, but her mandate does not include local government, which makes it difficult for her to intervene, Gey van Pittius said.

"Municipalities don't have the necessary skills, especially engineers and building inspectors, and decision-making has been centralised at political level," he says.

There is no money for bulk services and the result is that developers have to contribute huge amounts to make projects happen. "That expenditure only adds to overheads. You cannot recover it from the house you are selling, because it does not directly add value to the product," he says.

Approvals that used to be given in a year or 18 months, now take up to three years. In business, time is money and delays can render a project no longer viable, Gey van Pittius says. Such delays create in an environment conducive to corruption, he says.

"Before 2008 we (the industry) built 60 000 houses per year in Gauteng. Now we cannot even manage 4 000." He says employment in the industry has dropped from 70 000 to 4 000 over the same period. He believes approval delays and cost is one of the big contributors to the decline in the industry.

In Gauteng the City of Joburg is still approachable and problems can be sorted out, but Ekurhuleni is a huge headache, Gey van Pittius says. The requirements of the City of Tshwane are totally unrealistic and commercial development of affordable housing has come to a virtual standstill. "They want you to build a road to such a standard that they never need to do maintenance," he said.

Cornelia van der Bank, acting CEO of the South African Planning Institute (SAPI), said applications for consent use, rezoning and township establishment handled by SAPI members generally take too long to finalise. "It is especially difficult to understand these delays if the application is compliant with existing policies and prescripts," she said.

Van der Bank believes there are still very skilled and experienced officials within municipalities, but they don't get the necessary support to be able to process

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Late government payments killing SMEs

Gauteng Infrastructure Development MEC Nandi Mayathula-Khoza came under fire at the second Council for the Project and Construction Management Professions (SACPCMP) Conference in Midrand on 21 October over apparently rife non- and late payments by government to black-owned small and medium enterprises (SMEs) for services rendered.

The secretary general of the Black Business Council in the Built Environment, Gregory Mofokeng, said that late payments and non-payments by government, especially at provincial and local levels, is killing small businesses in the sector.

According to Mofokeng, around 5% of the roughly 5 000 strong membership of the Black Business Council in the Built Environment is severely affected by government's inability to keep to its 30-day payment schedule, which causes some companies to fall behind on their wages, default on loans and in some cases results in them not being able to obtain tax clearance certificates from the South African Revenue Service, without which they are unable to tender for further projects. Mofokeng emphasised that these figures were for work completed and signed off and did not include late or non-payments with regard to disputed invoices.

Mayathula-Khoza gave assurances that the problem is being addressed. "New legislation is being prepared to deal with the many issues currently being experienced in the industry, specifically pertaining to the timely payments and interest accumulation on outstanding amounts to contractors," said the MEC, who acknowledged that late payments could easily mean the end for a small to medium-sized company.

According to the chief director of construction policy development in the Department of Public Works, Devan Pillay, late and non-payment by government



Gauteng Infrastructure Development MEC Nandi Mayathula-Khoza (left) during a press conference at the 2nd Project and Construction Management Professions Conference in Midrand.

is sometimes unavoidable, due to unforeseen changes to the scope of work that sometimes happens in the construction industry.

He also stressed that poor workmanship and incomplete paperwork submissions by contractors were often to blame, citing these as instances of valid late payments.

Pillay indicated that the department was working on the implementation of what he termed an arbitration mechanism, that he says will assist in the speedy resolution of such matters. Pillay would not go into the details, but said that it would address many of the serious concerns raised by the industry.

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applications timeously. SAPI hopes to contribute to further skills development through mentorship programmes in municipalities.

A part of the problem, she said, is that any lay person can submit applications and local authorities are flooded by non-compliant applications. These take longer to finalise and clog the system.

An electrical engineer, who cannot be named for professional reasons, says getting bulk services in areas provided by Eskom is a nightmare. Decisions are not taken by individuals, but by committees and are often delayed when the committee cannot meet for various reasons.

He says considerable application fees are required at different stages of the process and it may take up to two years just to get a feasibility quote that is said to be 65% accurate.

After that and upon further payment Eskom issues a budget quote, said to be 85% accurate. The problem is that this quote is only valid for 30 days and Eskom is very reluctant to extend. This quote is required to get financing and it is a serious challenge to get it finalised before the quote expires.

Due to its own financial constraints Eskom has placed a moratorium on all work it has to do to provide bulk services. It can take up to 30 months to get it done, he says. "The developer can decide to do it himself, which will be quicker, but the cost can double."

At municipal level the electrical engineer has no problem in his dealings with the City of Tshwane and Ekurhuleni, but getting bulk electrical services from the City of Joburg's City Power is a serious challenge, he said.