

c/o: Michael Clark, Researcher and
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By email: IDP@capetown.gov.za

To whom it may concern

**RE: NDIFUNA UKWAZI'S SUBMISSION ON THE CITY OF CAPE TOWN'S 2019-2020
YEAR-END ADJUSTMENTS TO THE IDP AS A RESULT OF COVID-19**

1. Ndifuna Ukwazi is a non-profit activist organisation and law centre that combines research, organising and litigation in campaigns to advance urban land justice in Cape Town. Our primary mission is to expand and protect access to affordable housing towards building a more just and equal city.
2. On 28 May 2020, the City of Cape Town ("the City") published its 2019-2020 year-end adjustments to the Integrated Development Plan ("IDP") as a result of COVID-19 and invited public comment on the adjustments. Ndifuna Ukwazi has read and considered the adjustments and hereby makes this submission to the City in accordance with the invitation to submit written comments.
3. Please see attached hereto our submission on the 2019-2020 year-end adjustments to the IDP as a result of COVID-19.

Yours faithfully,

Ndifuna Ukwazi

Per: Michael Clark, Researcher and Robyn Park-Ross, Researcher

**NDIFUNA UKWAZI'S SUBMISSION ON THE CITY OF CAPE TOWN'S 2019-2020
YEAR-END ADJUSTMENTS TO THE IDP AS A RESULT OF COVID-19**

INTRODUCTION

1. Ndifuna Ukwazi has considered the City of Cape Town ("the City")'s 2019-2020 year-end adjustments to the Integrated Development Plan ("IDP") as a result of COVID-19, and makes the following submissions.
2. Ndifuna Ukwazi is concerned about the accuracy and reliability of the budget figures and consequent adjustments to the IDP as we believe that the budget figures grossly underestimate the far-reaching economic, social and political impact of the global COVID-19 pandemic.
3. We believe that the budget adjustments and amendments to the IDP fail to recognise the severity of the economic fallout that the COVID-19 crisis is likely to cause. For example, the analysis of the mid-term economic outlook or external economic factors in the IDP does not include a discussion on the COVID-19 pandemic or projections about the virus' economic consequences.¹ Instead, the analysis of the economic climate relies on outdated figures from 2019 projecting economic growth of 2.1% in 2021.²
4. In contrast to these figures, the World Bank projects that the South African economy will shrink by 7.1% - the worst economic contraction in over a century.³ This paints a totally different picture, one that we believe more accurately captures the reality of the dire economic challenges that many poor and working-class communities living in Cape Town will face during the COVID-19 outbreak and its immediate aftermath.

¹ See part 2.2 of the City of Cape Town, *2019/20 Adjusted Budget* (May 2020), Annexure A4: 2019/20 MTEF Amended Chapter Required to be Included in the IDP.

² City of Cape Town, *2019/20 Adjusted Budget* (May 2020), Annexure A4: 2019/20 MTEF Amended Chapter Required to be Included in the IDP, p. 3.

³ See L Donnelly, "SA faces worst economic contraction in a century, says World Bank", *Business Day* (9 June 2020), available:

<https://www.businesslive.co.za/bd/economy/2020-06-09-sa-faces-the-worst-economic-contraction-in-a-century-says-world-bank/>.

5. The economic burden of the virus has, and will continue to be, disproportionately borne by the poor and working class. Many have lost their jobs or livelihoods, face income and/or food insecurity and, despite a national moratorium, face eviction and removal from their homes as a result of insecure tenure.⁴ Preliminary data from Statistics South Africa (“StatsSA”) shows that the COVID-19 pandemic has already led to higher rates of unemployment, diminished incomes and higher rates of hunger.⁵ The COVID-19 crisis and the national lockdown have, and will continue to have, serious and long-standing economic ramifications which will require the City to provide Capetonians with substantive economic and social relief, as discussed below.

6. In this context, Ndifuna Ukwazi is concerned that the City’s budget and corresponding adjustments to the IDP seem to underestimate the economic repercussions of COVID-19 and overestimate the City’s revenue projections, especially the projected collection rates for property rates and services. We believe that a significant portion of households living in Cape Town will struggle to pay their property rates and services - and that this City needs to plan for this eventuality.

7. The severity of the economic effects of COVID-19 means that it is hardly appropriate for the City to adopt the business as usual approach that the adjustments to its IDP supposes. The City’s amendments largely relate to its inability to meet its targeted deliverables for the realisation of key socio-economic amenities such as housing, serviced stands and basic services – amenities that are essential in the fight against the COVID-19 pandemic. In fact, other than limited relief offered to ratepayers (specifically property rate payers) and lowered projected collection rates for property rates, the adjustments to the IDP provide virtually no economic relief to mitigate the economic effects of COVID-19 on the City’s inhabitants.

⁴ National Treasury Director General Dondo Mogajane has warned that South Africa’s unemployment rate could rise above 40%, while the Chamber of Commerce projects unemployment figures as high as 50%. See S Zulu, “SA’s unemployment rate could reach 40% due to COVID-19 - Mogajane”, *Eye Witness News (EWN)* (12 May 2020); and Associated Press, “COVID-19: South Africa’s unemployment rate expected to reach 50% as economy keeps plummeting”, *IOL News* (24 May 2020).

⁵ See StatsSA, “Results from Wave 2 Survey on the Impact of the COVID-19 Pandemic on Employment and Income in South Africa” (May 2020), available: <http://www.statssa.gov.za/publications/Report-00-80-03/Report-00-80-03May2020.pdf>.

8. In order to fund the various recommendations contained in this submission which are necessary to care for and support the residents of Cape Town during this trying time, we suggest that it may be necessary to use a combination of the following strategies; repurposing of “the projected underspend” referred to in the MTREF Amended Chapter Required to be included in the IDP,⁶ lobbying the National government for additional funding, and/or securing credit to fund any deficit.

9. Our submission is structured as follows:
 - 9.1. First, we comment on the inappropriateness of the City adopting a contractionary fiscal budgetary approach at this time;

 - 9.2. Second, we raise concerns about the City’s increase in rental for council rental housing that we believe should be addressed;

 - 9.3. Third, we raise concerns about the City’s missed socio-economic deliverables that we believe should be addressed; and

 - 9.4. Thereafter we make some concluding comments.

AUSTERITY BUDGET

10. Ndifuna Ukwazi is concerned about the consequences of the contractionary fiscal budgetary measures (i.e. austerity measures) that the City has embraced in the adjustments to its budget and its IDP.

11. At a time when countries and cities across the globe are embarking on expansionary fiscal packages (i.e. stimulus budgets), the City’s aggressive austerity measures and limited financial, fiscal and social relief to Cape Town residents is out of place with

⁶ See City of Cape Town, *2019/20 Adjustments Budget. Annexure A4- 2019/20 MTREF Amended Chapter Required to be included in the IDP*, p. 2

international trends.⁷ In fact, it is the City's embrace of austerity that has deepened the unacceptably high levels of inequality in the city.

12. The National Treasury's allowance of one adjustment budget between the declaration of the National State of Disaster and 15 June 2020,⁸ should have been utilised more effectively to carve out budgetary measures to provide concrete and tenable economic and social relief packages for the city's inhabitants rather than placing additional limitations on spending.
13. Poor and working class communities face persistent economic challenges that are only likely to be exacerbated as a result of the COVID-19 outbreak. Poor and working class communities are reliant on the overburdened public health system, a large proportion of the population lacks adequate access to hand-washing facilities or decent sanitation, and crowded conditions in informal settlements which make "social distancing" difficult, if not impossible. This has left millions vulnerable to COVID-19 and the economic effect of the pandemic. We, therefore, strongly urge the City to urgently expand its spending on healthcare, social security, housing and access to basic services.
14. In this context, we urge the City to significantly increase the amount of Free Basic Services ("FBS") that the City's residents are entitled to during the entirety of the COVID-19 outbreak – in particular, the amount of Free Basic Water ("FBW") that residents are entitled to. This will enable residents to comply with recommended hygiene standards such as regular hand-washing. We recommend that the City also expand the number of residents that are entitled to access FBS during the outbreak, to ensure that residents in need of relief are ensured access to basic services that would assist them in combatting the spread of the virus. We also call on the City to freeze the cost of basic services by halting any increase in the cost of basic services.

⁷ See P Coy, "Even Deficit Hawks Support Big Spending to Fight the Virus Slump", *Bloomberg Businessweek* (13 March 2020), available: <https://www.bloomberg.com/news/articles/2020-03-13/even-deficit-hawks-support-big-spending-to-fight-the-virus-slump>. See also L Siaz, "Time for a Rights-Based Global Economic Stimulus to Tackle COVID-19", *Center for Economic and Social Rights* (27 March 2020), available: <https://www.cesr.org/time-rights-based-global-economic-stimulus-tackle-covid-19>.

⁸ See MFMA Circular No 99, *Government Gazette* No 43131 (30 March 2020).

COUNCIL RENTAL PROPERTIES

15. The adjusted budget indicates that “the proposed 2019/20 housing rental charge is in line with previous annual rental increases and is again aimed at ensuring affordability for the City’s poorer communities.”⁹ While it is important that Council rental tenants do not face exorbitant increases at this time, it is not enough to curb increases. In this unprecedented context of a global pandemic and the resultant economic impact, it is insufficient to retain the total monthly rental charge percentage increase associated with the City’s rental properties, even ‘at an affordable level’.

16. Access to housing has proven to play a significant part in getting and staying healthy, as in instances of self-quarantine or self-isolation. Where one loses access to their home, one cannot sufficiently protect themselves or their community from the risk of contracting and transmitting COVID-19 and other communicable illnesses including respiratory illnesses and illnesses leading to immunodeficiency. Housing, at this critical point, is healthcare.

17. As indicated in the introduction, as a result of the pandemic and lockdown, many households have faced increasing economic pressure including being forced into the untenable position of having to choose between paying rent or putting food on the table. By virtue of the nature of Council housing, it is clear that tenants of Council housing will be vulnerable to the economic shocks of this context including the potential for complete loss of income.

18. International best practice in relation to the impact of COVID-19 includes the provision of rent relief to vulnerable tenants including periods of waving rent entirely. In acknowledgement of the unprecedented economic insecurity and precarity faced by increasing numbers of people around the world and the recognition that housing has become “the frontline defence against the coronavirus,”¹⁰ the United Nations (UN) Special Rapporteur on the right to adequate housing issued a COVID-19 Guidance Note

⁹ See City of Cape Town, *2019/20 Adjustments Budget. Annexure A4- 2019/20 MTREF Amended Chapter Required to be included in the IDP*, p. 14.

¹⁰ L Farha, “COVID-19 Guidance Note: Protecting renters and mortgage payers.” *United Nations Human Rights Special Procedures* (8 April 2020), available https://www.ohchr.org/Documents/Issues/Housing/SR_housing_COVID-19_guidance_rent_and_mortgage_payers.pdf

in early April providing guidance on how states can protect renters and mortgage payers.

19. Recommended measure 2 of the Guidance Note indicates the need for the immediate implementation of a “rent freeze, prohibiting any increases in rental costs including any adjustments for inflation, during the pandemic and for a reasonable period thereafter” not only in public rental housing, but also housing on the private market.¹¹ While the IDP adjustments have focused on ensuring that there is not an exorbitant increase of rentals for tenants in Council rental housing, this is insufficient to meet these UN guidelines.
20. Over and above a rent freeze, recommendation 4 of the Guidance Note indicates that States must immediately;

*“...ensure housing affordability for tenants whose incomes decline as a result of COVID19. In this regard, **for the duration of the pandemic and a reasonable period thereafter, States should legislate a mandatory rent re-calculation by housing providers that caps the rent obligation of tenants to 30 percent of their monthly income, including any social benefits received. In States that have a system of housing benefits or social transfer payments to cover housing costs, the level of such benefits and eligibility criteria should be reviewed to ensure that tenants affected by the crisis do not have to pay more than 30 per cent of their monthly net income on housing costs.**”¹²*

And recommendation 8 indicates that,

“[p]olicies must be established that provide rent ... forgiveness for particularly vulnerable households whose situations are made worse by

¹¹ L Farha, “COVID-19 Guidance Note: Protecting renters and mortgage payers.” *United Nations Human Rights Special Procedures* (8 April 2020), pg. 2, available https://www.ohchr.org/Documents/Issues/Housing/SR_housing_COVID-19_guidance_rent_and_mortgage_payers.pdf

¹² L Farha, “COVID-19 Guidance Note: Protecting renters and mortgage payers.” *United Nations Human Rights Special Procedures* (8 April 2020), pg. 2, available https://www.ohchr.org/Documents/Issues/Housing/SR_housing_COVID-19_guidance_rent_and_mortgage_payers.pdf

COVID-19, at least for the duration of the pandemic and a reasonable time thereafter. In this regard, some States have initiated time delimited mortgage payment moratoriums and individual landlords have offered rent forgiveness. Such policies ought to be legislated or decreed to provide universal protection and must extend beyond the pandemic period for a reasonable time.”

21. In relation to these recommended measures, it is clear that the proposal made in the 2019-2020 year-end adjustments to the IDP do not meet the standards for what is required in this unprecedented time.
22. The Guidance Note further indicates that no evictions are to take place; no essential services are to be suspended as a result of missing, late or partial payments of rental due to the impact of COVID-19; and that no tenant should accumulate unsustainable debt as a result of COVID-19 or the Guidance Note measures.¹³
23. Cities across the United States of America (“USA”) have also adopted various forms of rent relief to mitigate the effects of COVID-19 on access to housing.¹⁴ On a federal level, the Coronavirus Aid, Relief, and Economic Security Act (“the CARES Act”) appropriated approximately US\$17 billion to certain United States Department of Housing and Urban Development (“HUD”) programs, including US\$1.25 billion for “Tenant Based Rental Assistance” which provides additional funding for public housing agencies.¹⁵ The measures implemented by cities range from a prohibition on rent increases during the COVID-19 outbreak to rent holidays and forgiveness of rental that has not been paid during the pandemic. In the majority of cases, some form of rent relief was extended to those living in public rental housing. However, based on the recognition that many of the

¹³ See recommended measures 1, 9 and 10 in L Farha, “COVID-19 Guidance Note: Protecting renters and mortgage payers.” *United Nations Human Rights Special Procedures* (8 April 2020), pg. 2-3, available

https://www.ohchr.org/Documents/Issues/Housing/SR_housing_COVID-19_guidance_rent_and_mortgage_payers.pdf

¹⁴ J Cohen, “Relief from the Rent”, *Shelterforce* (14 May 2020), available:

https://shelterforce.org/2020/05/14/relief-from-the-rent/?utm_source=RentNewsletter&utm_medium=email&utm_campaign=060920.

¹⁵ J Adams, O Cabrera, M Coleman, “A Summary of Housing Related Provisions in the CARES Act”, *JD Supra* (3 April 2020), available,

<https://www.jdsupra.com/legalnews/a-summary-of-housing-related-provisions-99138/>

programmes implemented will only delay payments or evictions, grassroots organisations across the USA such as in Los Angeles and Chicago are demanding that what is needed is a suspension of rent collection in that rent should no longer be owed.¹⁶ This illustrates the need for radical relief in proportion to this crisis being faced.

24. In the South African context, the National Association of Social Housing Organisations (“NASHO”) and the Social Housing Regulatory Authority (“SHRA”) are recommending that Social Housing Institutions (“SHIs”) provide rent relief for tenants in proportion to their loss of income.¹⁷
25. The City should look to the UN Guidance Note, international best practice and to SHIs as the local form of subsidised rental housing in South Africa for guidelines on providing sustained and sufficient support to vulnerable tenants during the various stages of lockdown and during the inevitable period of sustained economic difficulty that will follow.
26. We note that the City has listed rental housing relief for those renting a unit from the City who have a household income of R4 500 or less in the Financial Relief and Rebates section of their website.¹⁸ While it is positive that the City is thinking about rental housing relief for tenants of City property we are concerned that these measures do not go far enough. In particular, we are concerned about:
 - 26.1. The lack of awareness about this option and whether tenants of Council housing have been actively notified about this;
 - 26.2. The lack of transparency around this relief including the value of the relief, how this relief is calculated, how long it will take for Council property tenants to receive this relief, how beneficiaries of the relief will be selected and why the arbitrary parameter has been set at households earning R4 500 or less;

¹⁶ J Woocher, “An Eviction Moratorium Is Not Enough—Suspend Rent”, *Shelterforce* (23 March 2020), available: <https://shelterforce.org/2020/03/23/an-eviction-moratorium-is-not-enough-suspend-rent/>

¹⁷ See SAFM interview for more information: <http://shra.org.za/node/88>.

¹⁸ See the City of Cape Town website, available: <http://www.capetown.gov.za/City-Connect/Apply/City-housing-and-properties/Housing-opportunities/Apply-for-rental-housing-relief>.

- 26.3. The fact that this rental housing relief is not reflected in the 2019-2020 year-end adjustments to the IDP; and
- 26.4. The justification around placing the onus on tenants to seek out and apply for relief rather than applying the recommendations of the UN COVID-19 Guidance Note on Protecting Renters and Mortgage Payers.
27. In line with the recommendations of of the UN COVID-19 Guidance Note, international best practices and our concerns around the current rental housing relief offered, we recommend that the City provides full rent relief to all households in Council rental housing for the full period of lockdown and, depending on the economic situation after lockdown as well as individual tenants financial situation, for whatever period is necessary to ensure that no tenants of Council housing are evicted or lose access to their current homes.

DELIVERABLES

28. We note the reductions in the Quarterly Targets for 2019/20 and the Proposed Quarterly Targets in relation to the number of human settlement opportunities in the Special Amendments to the 2019/20 Corporate Scorecard in relation to COVID-19.
29. The target for human settlement opportunities in the form of “top structures” was reduced from 3 375 to 2 565. This reduction by 810 top structures constitutes a 24% reduction from the original approved target.
30. The target for human settlement opportunities in the form of “formal sites serviced” was reduced from 1 767 to 785. This reduction by 982 formal serviced sites constitutes 56%¹⁹ reduction from the original approved target.
31. Similarly, the target for the number of “sites serviced in the informal settlements” was reduced from 1 300 to 854. This reduction by 446 sites serviced in informal settlements constitutes 34%²⁰ reduction from the original approved target.

¹⁹ Rounded off from 55.57442%.

²⁰ Rounded off from 34.3076923076923%.

	Top structures	Formal serviced sites	Sites serviced in informal settlements
Approved 2019/2020 quarterly target for Q4	3 375	1 767	1 300
Proposed 2019/2020 quarterly target for Q4	2 565	785	854
Reduction in target	810	982	446
% reduction in target	24%	56%	34%

32. In all three cases, the motivation for this amendment indicates that the national lockdown from midnight on 26 March to 30 April (including extensions) had a direct impact on these deliverables as no construction work was completed during this period of lockdown.
33. While it is understandable that the targets would be reduced in relation to the loss of construction time in this quarter, we are concerned about *when and how* these targets will be caught up. The City must ensure that these numbers are caught up in a reasonable time to ensure that potential beneficiaries do not lose their opportunity to access a home due to this exceptional circumstance.

CONCLUSION

34. Ndifuna Ukwazi raises a number of concerns about the City's proposed adjustments to the IDP. In particular, we believe that austerity measures during a time of economic and social crisis is deeply inappropriate and encourage the City to find ways to offer lasting economic relief to poor and working class communities. Martin Luther King Jr, the revered civil rights activist, argued that how a government spends its resources has ethical consequences, which makes a budget a moral document.²¹ As he famously observed:

"A nation that continues year after year to spend more on military defense than on programs of social uplift is approaching spiritual doom".²²

35. In this context, we urge the City to adopt a moral budget that ensures that the residents of the City are all better off during the COVID-19 crisis and its immediate aftermath by including the amendments proposed in this submission. These include:

- 35.1. Significantly increasing the amount of Free Basic Services ("FBS") that the City's residents are entitled to during the entirety of the COVID-19 outbreak – in particular, the amount of Free Basic Water ("FBW") that residents are entitled to.
- 35.2. Expanding the number of residents that are entitled to access FBS during the outbreak, to ensure that residents in need of relief are ensured access to basic services that would assist them in combatting the spread of the virus.
- 35.3. Freezing the cost of basic services by halting any increase in the cost of basic services.
- 35.4. As a minimum, applying an immediate rent freeze to all residential Council properties. However, we call on the City to implement a rental holiday including a rental forgiveness clause for tenants who have lost income due to COVID-19. This could include a rental recalculation based on the household

²¹ See FR Steiner, *Making Plans: How to Engage with Landscape, Design and Urban Environment* (2018), p. 155.

²² Steiner, *Making Plans*, p. 155.

income to ensure that households are not required to pay more than 30% of their income on rent.

- 35.5. Establishing a plan for making up the deliverables that were impacted by lockdown including timeframes for when these deliverables will be completed.

END