

Formalising property market activity: An overview of the Transaction Support Centre

25 October 2019



Formalising property markets, why is it important?



CITY

- Service delivery 
- Governance 
- Revenue 



CITIZEN

-  Secure tenure
-  Leverageable asset
-  Household wealth

The role of the Transaction Support Centre (TSC)

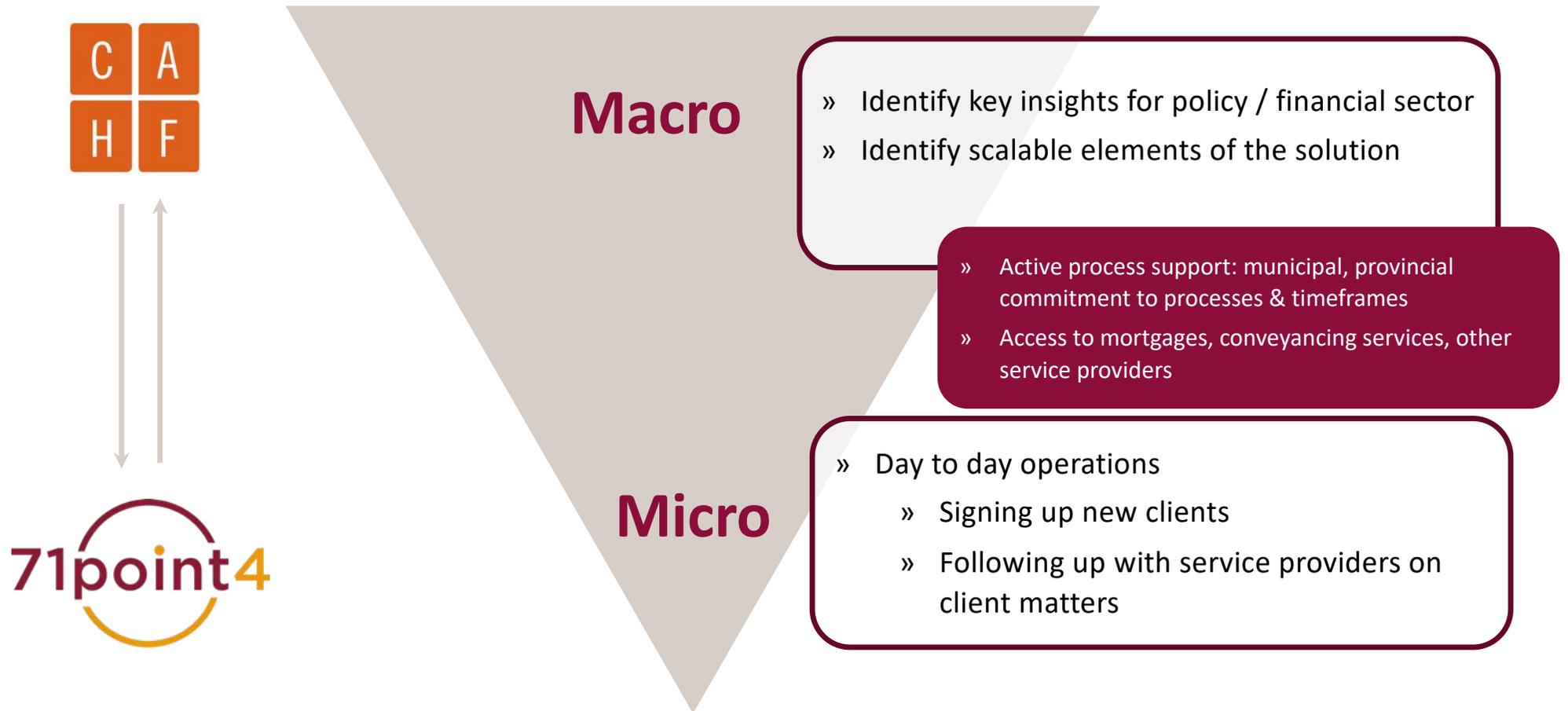
What is the TSC?

- » The TSC is a pilot action-research initiative established by CAHF and 71point4 to support secure tenure in low-income property markets
- » Physical advice office based in Makhaza Khayelitsha in the Desmond Tutu Sport & Recreation Hall operational since July 2018
- » The office is supported by two full-time office administrators, one community-engagement manager and one legal advisor
- » CAHF and 71point4 are responsible for documenting the client case studies and engaging with local, provincial and national stakeholders on the policy, legislative and administrative issues that require attention

The TSC is supported by:



HOW THE TSC OPERATES



The TSC work can be classified into three broad areas

Supporting transactions

- » Hands-on assistance and advice with:
 - » New property transactions
 - » Title deed and property checks
 - » Affordability assessments
 - » Subsidy applications
 - » Mortgage applications
 - » Sale agreements
 - » Instructing conveyancers
 - » Rates clearance certificates
 - » Monitoring transfer process
 - » Handing over title deeds
 - » Regularising informal cash sales
 - » Finding and negotiating with sellers
 - » Sale agreements (and all other steps as above)

Education and awareness building

- » Community meetings
- » Engagement with street committees and local councillors
- » Flyers / posters
- » Local radio

Enabling administrative / policy processes

- » Engagement with City, Province, Banks, and other administrative stakeholders on specific cases
- » Engagement with National Treasury, Human Settlements and other policy and regulatory bodies on the overall policy framework

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Supporting transactions

- » Hands-on assistance and advice with:
 - » New property transactions
 - » Title deed and property checks

- » **The TSC does not charge any fees or earn any commission on any transactions**
- » **Clients earning < R5 500/month receive pro bono conveyancing services**
- » **All clients pay R1 000 towards the disbursement costs (except state old-age pensioners)**

- » Finding and negotiating with sellers
- » Sale agreements (and all other steps as above)

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national treasury
Department:
National Treasury
REPUBLIC OF SOUTH AFRICA

**NORTON ROSE
FULBRIGHT**



ABRAHAMS & GROSS



**Western Cape
Government**
Human Settlements



FNB



CITY OF CAPE TOWN
ISIXEKO SASEKAPA
STAD KAAPSTAD



ooba



**rural development
& land reform**
Department:
Rural Development and Land Reform
REPUBLIC OF SOUTH AFRICA



ProBono.Org[®]



**TRANSACTION SUPPORT
CENTRE**



LexisNexis[®]



Deeds Office



Development Action Group

**World Bank Property Working
Group**



**Local street
committees**



**Ward
councillors**



Estate agents

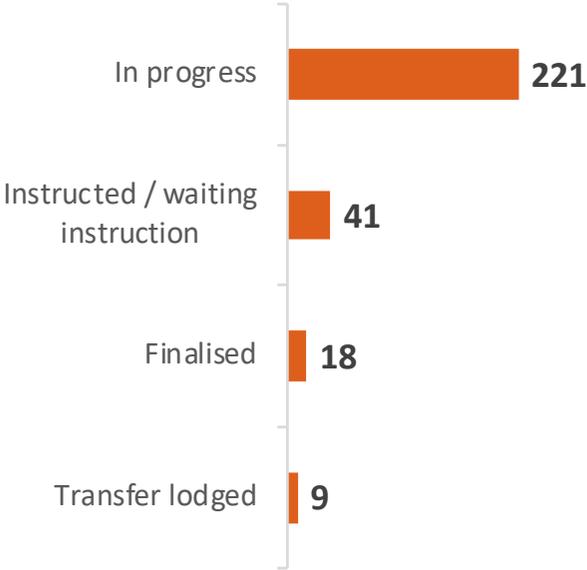


xpert decision systems

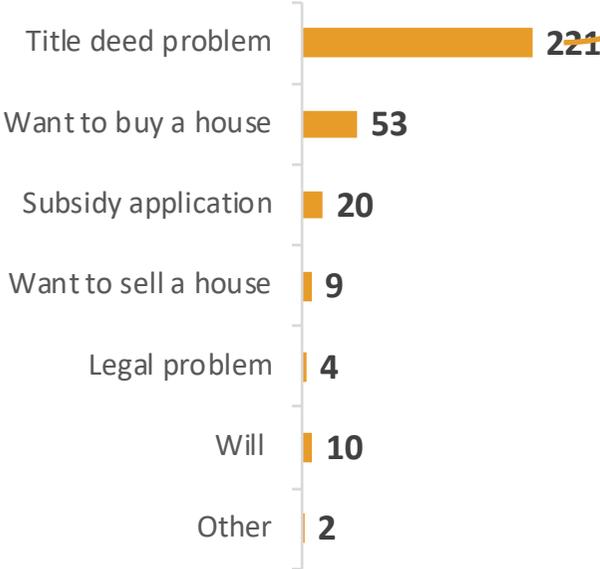
While the vision of the TSC is to support transactions, most of our cases deal with informal transactions, deceased estates and administrative failure

CASE STATUS

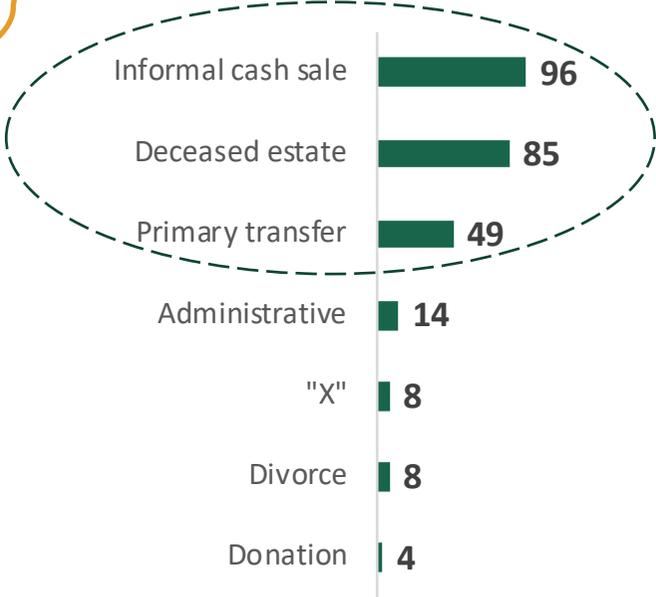
(Total cases submitted to date: 319*)



TYPES OF CASES



REASONS FOR TITLE DEED PROBLEMS**



Updated as of 11 October 2019

Note: *Cases closed to date: 30 (primarily cases where we could not assist clients)

**Total exceeds number of cases with title deed issues as one case may have multiple problems e.g. primary transfer and intestate

TSC learnings: Title deed problems

Informal cash sales

- » It is possible to regularise these transactions
- » Homeowners are very aware of the risk they face and are actively coming to the TSC to try regularise their transactions
- » We have also engaged with street committees who have referred recent cases to us
- » Sellers can be found (tracing services are helpful) and are often willing to participate
- » Where the seller can't be located the Land Titles Adjustment Act may be a solution
- » Where the original sale is disputed, how do we resolve this?

Deceased estates

- » Many of our cases fall within the 'small estate' threshold as per the Administration of Estates Act S18(3) (estates valued <R250 000)
- » This process is relatively simple and cost effective for clients
- » Clients still require advice and 'hand-holding' along the way as the documentation requirements are still onerous
- » The Magistrate Court processes can be slow
- » Rising property prices are pushing many RDP properties above the 'small estate' threshold. There is currently no subsidised legal assistance in these cases, and legal costs are high

Primary transfers

- » Some cases are easy to resolve:
 - » Title deeds sitting in City offices somewhere (not clear who in the City has the title deed and why it has not been handed over)
 - » Transfers that have not been processed by appointed conveyancers (unclear why this happens)
- » Other primary transfer issues are more complex to resolve either due to:
 - » Occupancy impediments (occupant ≠ beneficiary)
 - » Land impediments (problems with general plans or land ownership)
 - » Policy gaps

Makhaza West

Number of properties: 246

Number of surveys: 185



BLOCKCHAIN PILOT: UMRHABULO TRIANGLE, MAKHAZA, KHAYELITSHA

Total number of properties in four study sites: 1 079

Number of completed surveys: 927



Makhaza East

Number of properties: 269

Number of surveys: 244



Makhaza Central

Number of properties: 265

Number of surveys: 234



Makhaza Zone 14

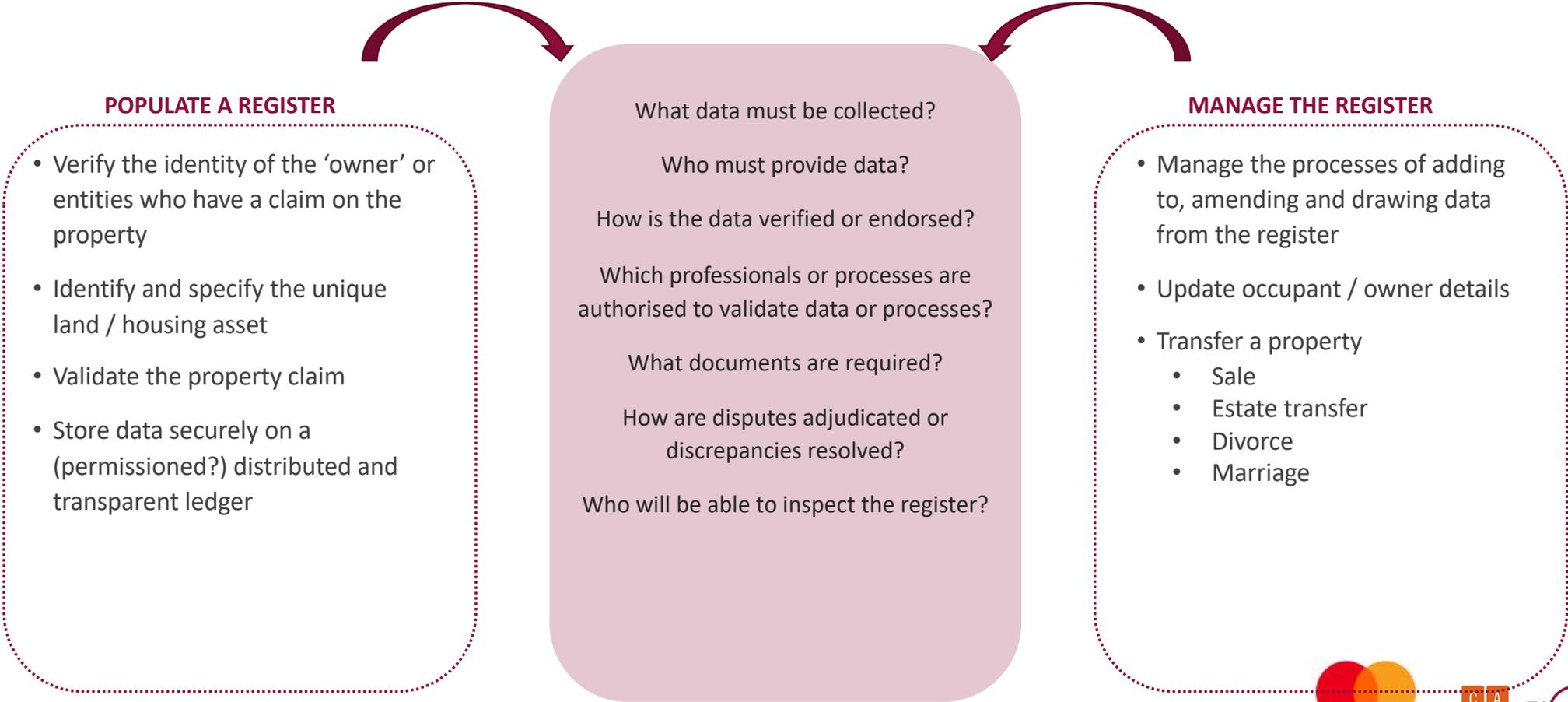
Number of properties: 299

Number of surveys: 264



NATURE OF TITLE DEED PROBLEM: NO PRIMARY TRANSFER HAS TAKEN PLACE IN THESE PROJECTS

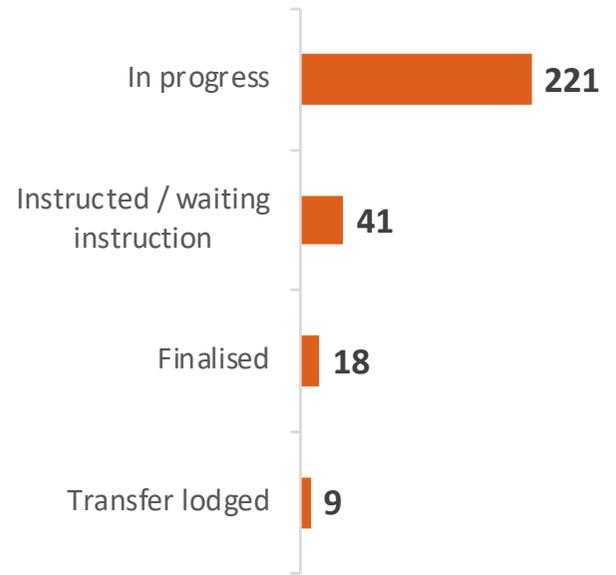
Our aim is to create a **single, shared and trusted** record of who owns what houses in the area. That record should be impossible to tamper with, open to everyone to inspect, and should be easy to maintain on an on-going basis when people sell, or when someone inherits. Ideally we would like to create 'bankable' records that can integrate into City processes, and eventually be integrated into the deeds registry



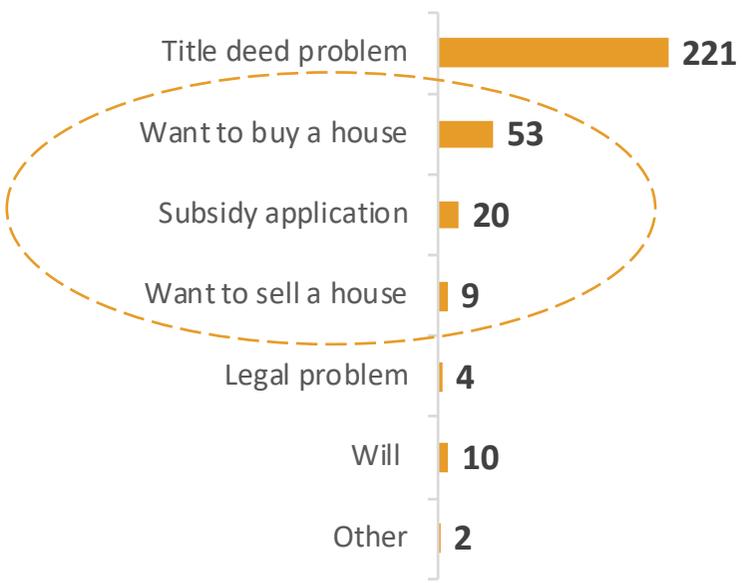
We have assisted some clients who want to buy or sell properties

CASE STATUS

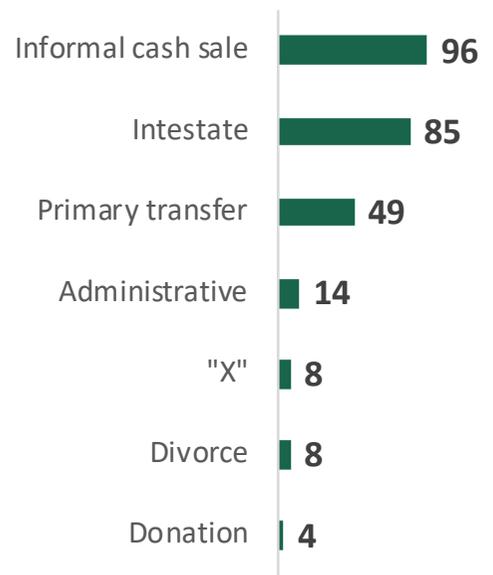
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TSC learnings: Buyers & Sellers

BUYERS

- » Credit worthiness is a key challenge
- » There is a very visible need for hands-on financial coaching to assist over-indebted or credit-impaired clients on a journey to financial health
- » The TSC plans to approach financial providers to fund this service

Transaction Support Centre case load as at 10 October 2019

CREDIT ELIGIBILITY

No. of credit checks conducted	46
No. of credit checks passed	11

SUBSIDY ELIGIBILITY

No. of HSS checks	66
No. of clear HSS checks	45

SELLERS

- » Liquidity constraints and need for cash presents a challenge for mortgage/ FLISP buyers
- » The Province is willing to waive the 8 year pre-emptive clause where there is good reason for it (e.g. sellers moving back to Eastern Cape)
- » Engagement with the City on the issue of rates clearance and the indigent benefits process has been positive but these processes are ineffective where the current occupant is not the registered property owner (primary transfer issue, informal sale)

PROPERTIES

- » Unplanned building activity affects the 'sale readiness' and mortgageability of a property
- » The City's response to regularising building activity differs across areas
- » In some areas enforcement of building regulations is difficult

Case study: Building approval in Delft

private property

For Sale To Rent Commercial

Property For Sale - Western Cape - Cape Town - Bellville - Delft - T2192013

Photos 19 Map

1 Bed House in Delft
R 380 000

54 Lalo Street

1 Beds 1 Baths

Can I afford this?

“Big house with 3 flats. Icon Property have just listed this spacious one bedroom home with three flats at the back. This is a perfect investment opportunity, the main house offer a spacious open plan kitchen and lounge, a bathroom and one big spacious bedroom. The yard is fully enclosed and paved with a security gate upfront. This is a free standing house....There are 3 flats at the back each one with a security gate and a separate toilet from the main house”



- » When we enquired about the property the estate agent claimed that the owner had approved building plans for the backyard structure
- » On investigation we discovered this couldn't be the case
- » The backyard structure is built over the property boundary and onto an N2 road reserve

Fwd: RE: Building approval inquiry: erf 13201 Delft 



----- Forwarded message -----
From : [REDACTED] <[REDACTED]@lapetown.gov.za>
To : "jess@71point4.com" <jess@71point4.com>
Date : Wed, 20 Feb 2019 14:10:09 +0200
Subject : RE: Building approval inquiry: erf 13201 Delft
===== Forwarded message =====

Dear Jess Robey

At the time that Delft South was developed it was declared a less formal township in terms of Act 113 of 1991 and the area with regards to single residential properties are exempted from the provisions of the National Building Regulations and Building Standards Act.

A notice was served on the owner for the structure but should he not comply with the notice we will not be able to institute legal proceedings against him due to the above.

The buildings circled in red encroaches the N2 road reserve which is the responsibility of the Western Cape: Department of Transport and Public Works.

How can the TSC assist the City to support formal property markets? How can the City enable the TSC to scale up?

1. Title deeds that have not been handed over: Can the TSC help to distribute title deeds? What are the requirements in terms of verifying occupancy?
2. New RDP developments: Is there scope to leverage blockchain technology to create and update an interim property register?
3. Regularisation of historic primary transfer backlog: Which areas should be prioritised? What is the scale of the challenge?
4. Arrears on rates accounts where current owners \neq registered property owner (due to primary transfer issue or informal cash sale)
5. Regularisation of building activity: Is there scope to proactively identify properties that require building regularisation to support mortgage lending in the future

THANK YOU!

For more information about the TSC please contact:

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