



CONTRACTOR AND DEVELOPER ACADEMY



Development Action Group

In 2017, Development Action Group (DAG) initiated and launched a Contractor and Developer Academy (CDA) to improve and enhance the capability of emerging contractors and builders. Whilst incubated within DAG, CDA works with key construction and development industry partners to realise new and innovative forms of affordable housing delivery.

BACKGROUND

The Cape Town property development construction industry accounts for R11.11 billion in revenue and is the fastest growing sector since 2005 averaging 5.4% per annum.

Being a key economic driver, the Cape Town property development sector is dominated by a handful of big companies, who are not adequately incentivised or required to open the space to emerging contractors, nor required to deliver on affordable housing. Not one of these large property developers or construction companies is from Khayelitsha, Mitchells Plain or surrounds. Oftentimes, the construction and development companies provide lip service through **Corporate Social Investment (CSI)**

or rely on the public sector to address this inequality. The preferential procurement points and enterprise development incentives set by the **Black Economic Empowerment (BEE)** policy is also not enough to break down barriers that makes it difficult for emerging developers to enter the housing construction market.

The construction and development sector is conservative and risk-averse, with much emphasis placed on experience. The emerging black owned construction companies and entrepreneurial developers from under-resourced communities remain under-represented.

A more inclusive arrangement to complement ongoing efforts to transform the construction industry relies on strengthening the skills and capabilities of the emerging developers through

education, training, project level financial packaging and opportunity to gain experience, all of which are not easily available to them. The property development sector is no different.

Current government programmes in Cape Town are characterised by the delivery of RDP housing in dormitory settlements on the urban periphery, with poor access to public services and economic opportunities.

Whilst this form of delivery is catering to households earning less than R3,500, it is not catering to the other working class households: the nurses, domestic workers etc. earning less than R25,000. Government housing programmes for those earning between R3,500 and R25,000 relate to social housing and private finance linked subsidies, which have dismally failed to deliver at scale. In a recent study completed by the **Center for Affordable Housing and Finance (CAHF)**, finance from banks and other private finance institutions have halved in the last decade. In 2015, there were only 40,000 loans offered by the banks in the affordable market segment compared to 100,000 loans in 2008.

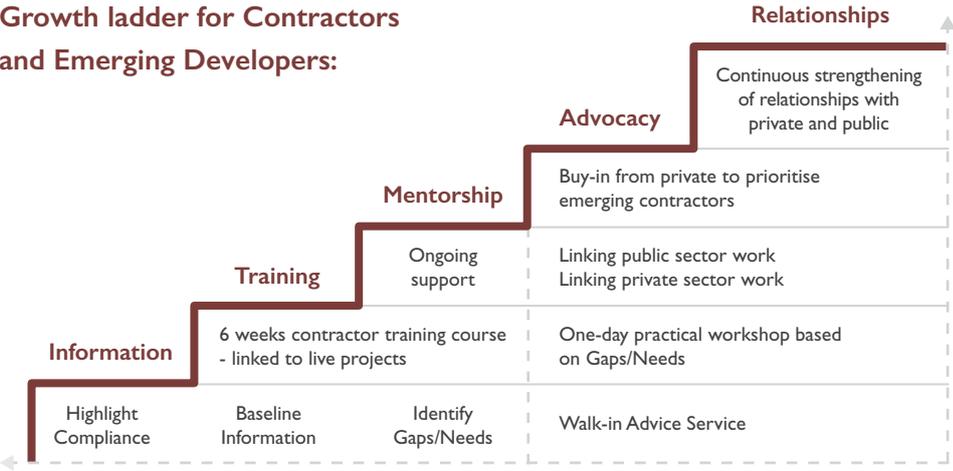
The steady decline of private finance has further exacerbated the pressures for housing, and ultimately on government subsidised housing.

This has left those earning between R3,500 to R25,000 to fend for themselves. Many of these households end up in backyard shacks or informal settlements, with nowhere else to go. According to the census, it is estimated that there are approximately 501,000 households earning below R3,500 and approximately 420,000 households earning between R3,500 and R25,000. **Ultimately, there is very little developmental, financial and implementation support for affordable housing outside of the government subsidy system.** Emerging developers from previously disadvantaged areas are now innovating and delivering affordable rental housing at scale, particularly in areas like Khayelitsha, Dunoon, Delft etc. These developments consist mostly of micro units and provides a very reliable source of rental accommodation for working class families, closing current gaps in government subsidies. Whilst these developments are happening organically, the emerging developers need support around finance and regulatory processes to upscale delivery.

The CDA is a recognition that government alone cannot deliver on its mandate of housing and economic transformation. In fact, only through appropriate support for emerging entrepreneurs and businesses, can we realise a complete rethink of the economy and ultimately the housing crisis.

Foreword by Adi Kumar, Executive Director, Development Action Group

Growth ladder for Contractors and Emerging Developers:



The construction and development sector remains untransformed - billions of public sector investment has fostered a radically transformed developmental space. As the second largest economic driver in the Western Cape, the transformation of the development industry is central to redressing poverty and delivering housing/infrastructure.

Success story

Kuhle Quality Projects

One of the fifteen contractors who participated and completed the DAG-offered training, Kuhle Quality Projects, was graded at a level 4 by the Construction Industries Development Board (CIDB). This happened within three years of completing our programme.

Kuhle Quality Projects is one of the highest graded contractors based in Khayelitsha.

Kuhle is also registered with the Department of Human Settlements and is now able to bid for medium-sized construction projects in the low income housing sector, whilst starting to enter the private commercial sector.



CDA PROGRAMMES

01 CONTRACTOR SUPPORT PROGRAMME

Well-trained and capacitated contractors that are implementing and constructing affordable housing.

DAG has been supporting contractors and builders since the mid-1990's. In 2013, DAG developed its Contractor Training curriculum for emerging contractors and support 14 emerging construction companies.

While many national bodies have implemented a contractor capacity development programs, few understand the very basic capacity gaps or how best to address them. Over the years, DAG has created **strong grassroots level networks and construction specialists** that have informed the current programme. Broadly, the term '**Emerging Contractor**' is given a broader definition. It includes:

- Any contractor that has been in operation in the industry for less than 5 years
- Has a CIDB grading 4 or less
- Has been awarded and completed less than 10 formal projects (at the targeted grading)
- Meets the targeted Preferential Procurement Regulation (2017) in accordance with the Public Finance Management Act (No. 1 of 1999)

Based on experience, DAG has identified three types of companies:

1. **Small Scale Builders** with extensive building experience, but with very little business knowledge to create a construction company. These could be street side builders, masons, plasterers, painters etc.
2. **Medium Scale Contractors** with CIDB grading one, that operate as subcontractors to large scale contractors, resulting in an inability to grow their own businesses.
3. **Medium to Large Scale Contractors** with CIDB grading four upwards that need specific support and networking to tender for large construction projects, either independently or as joint ventures.

DAG SUPPORT SERVICES

Information Session and Advice Office

To highlight the minimum compliance documents requirement that are required to distinguish the emerging contractors from bakkie builders / labour brokers and for them to lobby for contracts from the public and private sector:

Provide a walk-in advice service to emerging contractors on technical issues, finance, contracting, building approvals etc. The programme will include emerging contractors below CIDB grade 2 level who, studies have shown, have little or no experience in the formal construction sector:

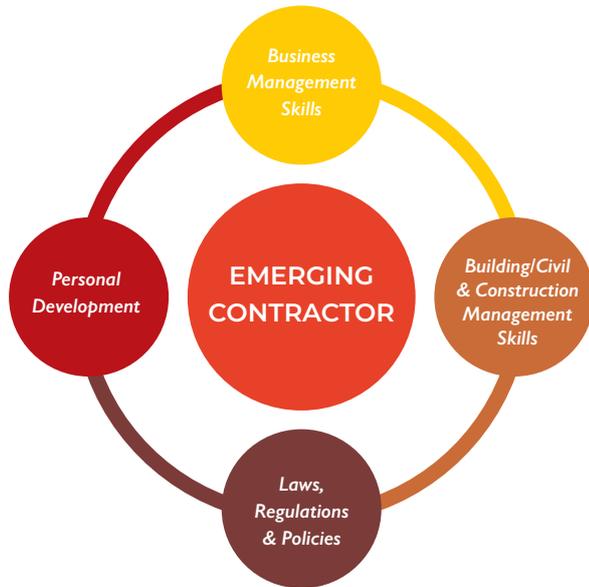
Contractor Training

DAG customises training programmes to suit individual contractor needs starting with pre-assessment in numeracy and literacy skills from the aptitude test.

Mentorship Programme

Emerging contractors are allocated mentors that will coach and guide them in their respective fields, whether in the civil or building sector. Each contractor will have a main mentor depending on the needs of the specific contractor. Mentorship could be received from a whole host of different individuals within the Built Environment. A mentor could be a well experienced contractor; tradesman, built environment professional, successful business owner; public sector official operating within the construction sector; private sector developer; finance practitioners or any other individual that is willing and capable to coach and guide emerging contractors to the path of growth and success.

The core courses of the formal training are illustrated below:



The modules for the training programme will be practical and topical:

Bills of quantities and procurement processes | Project management, ethics and risk management | Business development | Tenant management, conditions of contract and financial management | Personal development



02 DEVELOPER SUPPORT PROGRAMME

Large scale delivery of affordable housing (through design, planning, finance and packaging projects) for low income property owners and small scale developers.

Infill Backyard Rental Solution

Given that backyarding is one of the fastest growing rental housing schemes, the CDA provides various forms of support for improved quality of rental stock and services to landlords and backyard tenants. **To assist these homeowners to build at scale, the following support will be offered to them:**



Design and planning support for the upgrading, better utilisation of space and possible formalisation of backyard structures



Access to finance to improve quality of shelter and basic services for backyard tenants



Forward planning by positioning of RDP type houses, built at the center of the plot, thus maximising available space for extending or building formal Rental units







Greenfield Affordable Rental Solution

Emerging developers are building small-scale affordable rental units that generally represent a safer and more dignified option than backyard rentals of the past. These developers purchase vacant plots, especially those plots close to transport routes and build two to three-story walk-ups with support from emerging contractors. To assist the emerging developers to build at scale, the following support is provided to them:



Facilitate access to finance



Facilitate access to conveyancer services especially with the sale of plots



Facilitation of participatory planning and co-design of the rental building



Support in development of the Bill of Quantity



Linking them to the emerging contractors



Support with project management to ensure that housing units meet the NHRBC standard



Support with property management



'Affordable housing is much more than bricks and mortar. It's a means towards secure tenure, better housing stock and ultimately improved quality of life. For precisely this purpose, the aim of the Contractor and Developer Academy (CDA) is to develop and implement innovative forms of affordable housing.'



+27(0) 21 448 7886 | dag@dag.org.za | 101 Lower Main Road, Observatory, Cape Town, 7925

www.dag.org.za