

**SOCIAL HOUSING AS A MEANS TO LOW INCOME  
HOUSING IN THE DURBAN INNER CITY**

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### ***Declaration:-***

***Except for quotations specifically indicated in the text, and any other help which is acknowledged, the dissertation is entirely my own work, and has not being submitted for a degree in any other university.***

***Naroj Ramphal***

## **List of Abbreviations**

UK	-	United Kingdom
USN	-	Urban Sector Network
SHF	-	Social Housing Foundation
PHDB	-	Provincial Housing Development Board
JHC	-	Johannesburg Housing Company
ICUT	-	Inner City Housing Trust
FMHC	-	First Metro Housing Company
FES	-	Friedrich Ebert Stiftung
CHF	-	Co-operative Housing Forum
HB	-	Housing Benefits
NOI	-	Net Operating Income
DFR	-	Durban Functional Region

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## **Chapter One: Introduction**

### **1.1 Background**

Social housing is a particular approach to affordable housing delivery: based on the strength of group or collective ownership, social housing seeks an institutional approach in accessing and managing housing for low income earners. The intention of social housing is to provide low income households with housing options, as well as a host of other services which provide community development and empowerment benefits and promote a lifestyle conducive to community living (Social Housing Foundation;1998). Through a social housing approach that pools the resources of its resident community, the affordability of each household is increased. Often, the institution, association, or group formed initially to deliver housing, becomes the catalyst for further political and economic development and provision of better services.

Social housing has been an important form of housing internationally for decades. Many people link the development of the social housing movements to the rise of housing associations (Rust. K, 1999; Murie. A, 1996; Dimitriou, J.D, 1999; USN, 1998). The concept of mutual aid through associations was first put into practice in 1844. Since the development of associations in the 19<sup>th</sup> century, social housing initiatives have developed around the world in a number of different forms. There are various goals which social housing is meant to achieve. In Canada and the USA, it was seen as a solution to urban blight and was developed as part of an urban renewal strategy (Dimitriou,J.D; 1999). Even in the United Kingdom (UK) many residents in early social housing projects were 'refugees' from urban renewal schemes. The 1974 Housing Act in the UK enabled the establishment of Housing Associations as a way of helping to preserve the inner city (ibid.).

The nature of social housing and the way in which it facilitates urban regeneration and inner city densities, increases the range of tenure options available. As a housing option which also accommodates the diversity of the beneficiary population, social housing in South Africa is slowly being accepted as a viable complement to the more traditional project based and individual delivery within the low income sector (Mashatile, P; 1999). While not generally targeted at the poorest of the poor social housing can clearly meet the needs of households earning moderate incomes, R1000-00 to R3500-00 per month within the lower income sector, this being 20% to 30% of the South African population(ibid.).

According to international research estimates, in order for a housing sector to function efficiently and effectively, 30% of the housing stock should be available for rent (Bertaud, A, in Social Housing Foundation;1998). Social housing is one way in which rental housing accommodation can be provided for low income earners. Supporters of the social housing approaches argue that by engaging residents in governance and management of their housing, it can enhance their experience in the housing market (Social Housing Foundation; 1998). Given this motivation, the institutional subsidy was introduced as a mechanism to encourage the production of housing for rent, as well as to broaden the range of tenure options available to low income earners.

Considering the above, this research document examined what social housing is and where it originated from. The research also looked at the theory in which social housing is placed, i.e., Welfarist Paradigm. It looked at the historical context of social housing internationally and in South Africa. Inner city housing in the city of Durban was examined, especially with regards to inner city rents and affordability. The case study "Hawaii Apartment" was researched to find out whether social housing is a viable and affordable approach to low income housing for residents in the Durban inner city. The research examined international models that South Africa could benefit from. The research also evaluates the inner city social housing in Johannesburg and see how the rest of the world could benefit from its failures and successes.

## **1.2 Topic selection**

### **1.2.1 Research topic**

Social housing as a means to low income housing in the Durban inner city - Case study Hawaii Apartments.

### **1.2.2 Research Problem**

Is the current housing delivery system providing lower income earners with affordable and good quality accommodation in the inner city?

South Africa is faced with an enormous housing backlog. Despite the huge government contribution, the existing housing delivery system seems unable to make a significant impact on the demand. The backlog has been due to a number of factors which include amongst other things, lack of private institutional finance and low affordability levels of low income people. Furthermore, the current delivery system has focused solely on

township extensions and reinforcing Apartheid planning of "one-house-on-a-plot". Cities in South Africa are also plagued by urban blight, crime and overcrowding (Legodi, T; 1998). However this does not contribute to the housing backlog, but is a problem which is intended to be resolved by social housing itself.

The current low income housing delivery systems do not contribute to the restructuring of the Apartheid urban landscape. In addition, the lack of coherent policy approaches towards dealing with the general decline in city centers and the needs of inner city poor who are flocking steadily to the city centers, has also contributed to the gap in urban and housing policy. The researcher therefore seeks to evaluate the elements of social housing as an alternative delivery system that can improve housing delivery in South Africa's inner cities, as well as contribute to the restructuring of the Apartheid landscape. It is essential that South Africa's low cost housing delivery system contribute to redressing these problems in inner cities. To date, social housing initiatives are the only form of subsidised housing for rental being offered in South Africa's inner city.

### **1.2.3 Research Question**

Does inner city social housing provide an accessible and affordable means of housing to lower income earners, in the South African context?

### **1.2.4 Subsidiary Questions**

- What is social housing?
- Who are the delivery agents (ie. Public or Private)
- Types of housing provided and what tenure options are available?
- Is management of social housing the duty of the institution or the beneficiary?
- How successful are the existing social housing schemes in South Africa?
- What are the demands, constraints and opportunities, of this type of housing delivery?
- Are the products of social housing being accepted by the end user?
- What institutions are in place to monitor this type of housing delivery?

### **12.5 Hypothesis**

Social housing in Durban's inner city provides one of the alternatives for accessible and affordable housing to low income earners.

### 1.3 Key Concepts and definitions

**1.3.1 Social Housing-**“Social Housing is a value based, or normative approach to housing, implying affordable, suitably-located, quality housing, accommodated within a legal entity. The residents of a social housing project are meaningfully incorporated in the management of their housing and living conditions, and have significant legal rights in the institution through which their social housing stock is provided. Social housing can be described in term of three components, namely: the approach, the product, and the institution. See table below (Social Housing Foundation; 1998/9).

**Table 1: The components of Social Housing**

The social housing approach:

- is based on a **long term commitment** on the part of the social housing institution and the residents of the social housing stock to the provision of housing on a sustainable basis;
- **involves residents** in the financing and management of their housing and living conditions in a meaningful and empowering way;
- provides a **framework which empowers residents to exercise their rights** and facilitates them in **meeting their responsibility** in respect of their housing situation; and
- addresses to the extent where possible, residents broader, **quality of life**, needs beyond the housing in which they reside.

The Social Housing product:

- is primarily **residential housing**;
- is **affordable** to and **targeted at low and moderate income earners**;
- is **subsidised** with the government capital subsidy( usually the institutional subsidy mechanism);
- is built to **suitable quality standards**;
- provides **secure tenure** to its residents, on either a **rental or ownership** basis; and
- is **well or suitably located** in terms of its access to social amenities, economic opportunity and existing social networks, as defined by the member in terms of either their urban or rural context.

The Social Housing Institution:

- is **legally constituted and registered** in terms of applicable legislation;
- is **financially viable and sustainable** in the long term, having the capacity to manage its finances or manage contracts and out source key administrative functions;
- is structured in such a way as to demonstrate its **long term commitment** to the provision of a housing and quality of life solution for its residents;
- provides for **meaningful community participation**, incorporating residents as key **stakeholders with legal rights** in terms of how it undertakes its activities; and
- is committed to and provides for the relevant **training** of its members, the residents of the social housing stock, and the housing management.

(Social Housing Foundation; 1998/1999)

**1.3.2 Inner city** - In the study of the Durban Inner city, Byerley and Kabi, (1995) have defined the inner city as "That area of the city which undertakes a range of functions, renders a wide array of services, is the commercial hub of the metropolitan area, has a high degree of infrastructure development, is centrally located, and displays high density usage of available space".

**1.3.3 Densification** - Densification is one of the strategies of compaction, but geared towards intensifying development and increasing population densities in existing built areas. Densification may happen 'spontaneously' through an increase in occupation rates through, for example 'sub letting', through building backyard shacks, or through intense informal settlements. Alternatively a conscious strategy of densification may involve a review of development controls in order to remove impediments to further subdivisions, consolidation and a shift towards attached multi-storey units. Housing policy may also be shaped with the specific intention of increasing densities in existing areas, through the conversion or replacement of existing stock( Behrens, R in M Briggs; 1994).

The significance of densification strategies is not that they are likely to facilitate a major proportional shift in population inwards and away from the periphery. Rather, densification is potentially significant in two primary senses. Firstly, it generates interaction with favorable economic implications. Secondly, it facilitates a broadening of a range of housing choices available, particularly by creating new opportunities for smaller households. Densification is consistent with the goals of achieving the functional and spatial integration of presently fragmented components of the city, deracialisation of the city through providing housing opportunities for blacks in the historically white urban core, and facilitating access to concentration of economic and other urban opportunities for the poor( Hindson, Mabin, Watson; in M Briggs, 1994).

**1.3.4 Institutional Subsidy** - The institutional subsidy mechanism is one of four mechanisms available through the national housing subsidy scheme. Specifically targeted at housing institutions, this mechanism provides a R16 000 subsidy to institutions on behalf of beneficiary households. Housing subsidies are paid out of the National Housing Fund, via the Provincial Housing Boards (now the Department of Housing), to enable institutions to provide qualifying beneficiaries with residential properties (Social Housing Foundation; 1999).

**1.3.5 Inner City Regeneration** - Urban regeneration has become an important aspect of provincial and metropolitan government's inner city vision. Perhaps the most exciting potential of social housing is the contribution it is capable of making to this process. With the flight of corporate capital and influx of fewer affluent residents, development in the inner city is facing a unique set of challenges (Johannesburg Housing Company; 1998). Much of the residential stock is deteriorating due to a combination of bad building management, absentee landlords, poorly organised tenants, substantial rates and services arrears and pockets of poverty.

**1.3.6 Housing Associations/ Co-operatives/ Institutions** - The institutional subsidy guidelines have a major impact on housing associations and how they should be structured. According to the institutional subsidy guidelines, only institutions which are constituted as one of the legal entities listed below may apply for institutional subsidies:

- A company, incorporated in terms of the Companies Act 1963;
- A company incorporated in terms of the Share Block Control Act 1983;
- A co-operative incorporated in terms of the Co-operatives Act 1999; and
- An association formed in terms of any legislation based on the Communal Property Associations Act, 1996.

(Social Housing Foundation; 1998)

National Housing Finance Corporation (NHFC) prescribes similar criteria, and also excludes bodies such as trusts and voluntary associations, as the latter do not in all cases constitute separate legal entities. The role of local authorities is of major importance in both the delivery and management of this type of housing. Presently, local authorities are not one of the legal entities listed above, and may not themselves apply for institutional subsidies. The new Housing Bill allows, inter alia, for local authorities themselves to act as developers in respect of the planning and execution of a "housing development project" (Co-operative Housing Foundation; 1999).

- **Companies**

Various types of companies may be constituted and regulated in terms of the Companies Act, 1963.

- ***A Public Company with Share Capital***

It is possible to use a public company as a vehicle for a housing association. There are however, a number of issues to be considered in this regard. Firstly, such a housing association will not be able to qualify for any tax exemption, as the relevant exemptions that allow for the exemption of housing institutions from taxation do not include public companies with share capital. Should a public company with shareholdings be considered, it would be necessary to determine what classes of shares are to be taken up, by whom, and what rights would be attached to various forms of shares (Co-operative Housing Foundation;1999).

- ***A Private Company with Share Capital***

This form of company differs from the above in that the right to transfer shares is restricted, the number of members is limited to fifty, and no public offer may be made for the subscription of its shares. As in the case of public companies, this may be the type of company used to operate a share block scheme, or act as a sectional title developer, or provider of rental housing stock (Co-operative Housing Foundation; 1999).

- ***A Section 21 Company***

This type of company has been widely used largely for the possible tax advantages offered to such companies established with educational, charitable, religious and certain housing aims in mind. A Section 21 Company could well be used as a vehicle for a housing association.

- ***Communal Property Associations***

It is possible to establish a housing association by making use of a communal property association. In essence, a communal property association is a vehicle established under the Communal Property Associations Act (Co-operative Housing Foundation; 1999) which is similar to common law voluntary associations except for the fact that it requires registration and that it does not have the prohibition on distribution of profits to members. Members' rights in relation to property (i.e., form of tenure), in terms of this Act, are determined through a negotiated constitution in terms of a democratic process which constitution needs to adhere to certain minimum principles of due process and democracy (Co-operative Housing Foundation;1999).

- **Co-operatives**

There is no legal concept such as a "housing co-operative" in South Africa. A co-operative in terms of which the members have shares linked to the use of particular housing units is conceptually possible and there are particular benefits attached to this. The basic philosophy underlying a co-operative is that of one member, one vote, one share, but there is some flexibility in this regard. The sharing of profits in a co-operative is made according to shareholdings, but is also based on the extent to which the member has traded with the co-operative, i.e., its so-called patronage proportion. This latter element is not really appropriate for a housing association but, as the co-operative would not operate with a true profit motive, it should not be a practical issue.

A co-operative can hold both rental and ownership stock, members of the co-operative, both lessees and owners, have the statutory right to participate in the management of the entity. Co-operatives can be converted into any form of company. Co-operatives could accommodate letting to members as well as non-members of the Co-operative. Co-operatives are not precluded from extending credit to their members (as are companies) for the purpose of purchasing a share in the co-operative (Co-operative Housing Foundation; 1999).

In summary, the above concepts have a strong link to social housing. It is with the institutional subsidy that it is possible to provide social housing. Social housing in the inner city, increase the housing density, and is a tool for regeneration. Social housing can be provided in the form of a housing association, co-operative or institution.

## 1.4 Chapter outline

This dissertation consists of 8 chapters:-

The **first** chapter deals with the introduction to the research. It examines the research problem, the subsidiary questions and the hypothesis, which this dissertation sets out to test. This chapter also looks at the key concepts and definitions.

Chapter **two** is the research methodology. It discusses the way this research has been conducted and how it is set out. The chapter discusses the primary and secondary research collected. The chapter reviews previous research conduct by other organisations. This chapter concludes by looking at some of the problems experienced during the research.

Chapter **three** is the literature review/contextual framework. This chapter puts social housing into its context, and looks at the theory of the welfare state and rent and urban land use. It will also look at rental policy for social housing.

Chapter **four** analyses at the historical context of social housing. It discusses the international perspective ie. UK, Britain and the Netherlands. Subsidation internationally is also discussed. The history of Social Housing in another developing country, Zimbabwe is also looked at. Lastly this chapter examines various models of social housing internationally and their implications for South Africa. The chapter concludes by looking at the criticism, challenges and lessons learnt on social housing from an international perspective.

Chapter **five** This chapter first provides a background on social housing in South Africa. It then explores the history, and then discuss the policy and funding frameworks. It also discusses the state's role in the delivery of affordable social housing. It proceed by examining the local context of social housing, and social housing in the inner city. The Social housing project in Johannesburg (Sevens building Project) is reviewed, and possible lesson learnt are discussed, which would be useful for South Africa and other countries to note. The chapter concludes by looking at social housing as a tool for regeneration.

Chapter **six** discusses the case study. It firstly looks at the history of the First Metro Housing Company and then Hawaii Apartments. The chapter concludes by looking at

a market assessment of the surrounding buildings in the South Beach area and compares it with the Hawaii Apartments.

Chapter **seven** discusses the research analysis and findings of the survey that was carried out with residents of the Hawaii Apartments.

Chapter **eight** discusses the recommendation and conclusion. It also revisits the research problem, research question and the hypothesis. It lastly suggest some of the recommendations based on the findings.

## **Chapter Two : Research Methodology**

### **2.1 Introduction**

In undertaking this research dissertation, the researcher utilised a number of methodological tools. These tools were used to arrive at a concise and empirical analysis of the study and to provide a more balanced conclusion. However the general approach upon which this research has been conducted is the qualitative approach as it is deemed to be the most appropriate method to be used when dealing with people's perceptions, attitudes and options. Primary and secondary resources will be used in the research. This chapter will also examine previous research and the short comings of this dissertation.

### **2.2 Summary of Case Study**

The Hawaii Apartments is a time-sharing complex consisting of three buildings 6 to 8 storeys high. The buildings consist of 312 beds, but comprise of 127 apartments. The complex is located between the Golden Mile and the harbour, and the corner of Rutherford and Gillespie Street (see map 1: Locality map). The apartments in the Hawaii complex comprise of 1 and 2 bedroom apartments. The apartment are available to people who qualify for a housing subsidy from the Provincial Housing Board.

### **2.3 Data Sources**

The data for the study was drawn from various sources. Firstly, relevant literature was reviewed, including books, journals, Internet publications, magazine articles, conference papers and published and unpublished documents. Secondly, relevant government departments, as well as NGO's were visited, where interviews were conducted with individuals responsible for delivering and providing social housing. Thirdly, the study area was visited, and a sample survey was conducted and a questionnaire was administered to households.

The primary data involves a survey of the targeted resident population of the Hawaii apartments. Secondary research undertaken by Byerley and Kabi<sup>1</sup> was be used to set the foundation for the provision of low income housing in the inner city. Research

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<sup>1</sup>. Inner City Housing in Durban : a study of current residents and proposal to densify the city, 1995

**Locality Map :- Hawaii Apartments**

**Map 1**



**Beac**

**Hawaii West**

**Hawaii East & central**

**RUTHERFORD STREET**

**POINT ROAD**

**GILLESPIE STREET**

**MARINE PARADE**

**POINT ROAD**

**PRINCE STREET**

50 0 50 100 150 200 250 Meters

Source : Metro Housing GIS

undertaken by Inner City Housing Upgrading Trust (ICUT) in Johannesburg was also used as a comparison to the Durban situation, as well as work undertaken by the Social Housing Foundation (SHF), and the First Metro Housing Company (FMHC) and the Durban Metro Council will be incorporated into the research and the case study.

## **2.4 Primary data collection**

### **2.4.1 Sampling method**

Questionnaires were administered to ascertain socio-economic and demographic dynamics, of residents of the case study. A systematic sampling technique was used to generate a sample of respondents. The case study consists of 128 units, and a sample size of 40 was used. Every 3<sup>rd</sup> unit was surveyed to get the targeted sample size. If any of the targeted respondents were not willing to be surveyed, the next unit which was not identified in the sample was used as a replacement. The researcher did not target a particular household (ie the head of the family or the bread winner of the family), anyone who was at home at that time was give a questionnaire to complete.

Closed and open-ended questions were used in the questionnaire. Open-ended questions were used as it was an effective way of obtaining qualitative information on the subject matter. A sample of the survey questionnaire is attached in annexure one. The researcher undertook the residential survey with the assistance of the caretaker of The First Metro Housing Company, who is responsible for managing the tenants. The survey was carried out in June and July 2000.

### **2.4.2 Interviews**

A series of interviews were conducted with professionals from the housing sectors. Interviews consisted mainly of lead questions and varied according to organisations.

- Officials from the First Metro Housing Company (Mr. I Wheeler, Mr. J Jettinghof).

The interviews here revolved around finding out how social housing operated at a local level, ie. in the Durban context. The researcher posed questions relating to the case study, ie. the Hawaii Apartments. This information is discussed in detail in chapter 6. Questions relating to the housing subsidy were also asked. Mr. Jettinghof originally from Holland was asked to recount some of his experiences from Holland, and this is discussed in chapter 4.

- Members from the NGO sector, Mr. M Oelofse (ICHUT), Mr. M Red (COPE Housing), and Ms S Fynn (SHF).

Interviews with Mr. Oelofse and Mr. Red, revolved around getting information relating to the social housing experiences in the inner city Johannesburg. Findings from this discussion is looked at in chapter 6 in more detail.

An interview with Ms Fynn (the research manager) from the Social Housing Foundation, revolved around getting information about social housing in South Africa; its history; its approach; the role of the social housing foundation and lastly about the institutional subsidy.

- Interviews with the tenants committee/body corporate were also held.

The questions asked to the tenant's committee were mainly about their role in managing the Hawaii Apartments.

- Informal discussions with two delegates (Mr. J. Thomas and Mr. D Campon from the UK Housing Association) at the Institute of Housing Conference at the ICC, August 2000.

Discussion here revolved around subsidation in the UK.

## **2.5 Secondary Sources**

Secondary data were used throughout the research (ie. the historical context, contextual framework, funding framework and the case study). Examples of secondary sources are listed in the bibliography and some are briefly outlined below.

## **2.6 Data presentation**

The data is presented in the form of tables and graphs, and where possible photographs and maps to show relationships in the data.

### **2.6.1 Previous Research**

This section briefly outlines the research that has already been conducted in social housing by various organisations and will be used in the research.

The role of social housing in South Africa has become a research focus in recent years. Encouraged to a great extent by international organisations such as the Co-operative Housing Foundation (CHF), the Norwegian Federation of Co-operative Building and Housing Associations (NBBL), Rooftops Canada, and the Friedrich Ebert Stiftung (FES), research is targeted at constructive ways of employing the social housing concept within the current South African context. The Urban Sector Network in particular, has undertaken extensive research in the field, to support their project work as well as their advocacy for policy change at national level.

The Urban Sector Network's research (USN;1997) has focussed on the definition of social housing as a low income housing option. A paper focuses on the "non-market" implications of social housing. This paper considers the impact of the changes made to the institutional subsidy mechanism which allows for a project to access institutional subsidies without necessarily complying with "social housing principles". The paper concludes that the social housing ideal requires some long term control on the resale which also recognises residents' equity needs in respect of their long term, home ownership goals.

In 1996, the FES submitted a report to the parliamentary standing committee, entitled "Providing Social Housing Through Public Sector Intervention". The paper argues that "government should become more involved in prompting the emergence of institutions which provide lease or rental accommodation." Specifically, the report advocates the role of the public sector in leasing well-located, state land to housing institutions on an affordable basis.

In 1996, the CHF commissioned a report "Sustainable, Group Based Housing approaches in South Africa: Problems and Prospects". The report attempted to consolidate the debate on social housing and set out some of the problems and prospects for collective approaches to housing delivery, management, and ownership. A strategic evaluation of the current policy and legislative framework, the institutional structures, and various financing options, all in respect of how they impact on prospects for collective housing delivery approaches, formed the body of the report. The Social

housing foundation has published various reports dealing with the establishment of the social housing policy framework. They have also published a social housing tool kit that helps emerging housing association to start up. The literature provides a background to the social housing scenario in South Africa, and then develops a way forward, in achieving or fulfilling the mission that was set out, ie. 50 well established housing association in the first five years of operation.

In May 1998 The Johannesburg City council in conjunction with inner City Housing Upgrading Trust ( ICHUT) had produced a Local Government Green Paper on Social Housing in the Inner City of Johannesburg. This document focusses on the role of Local government in the provision of social housing, and delivery mechanisms to provide well managed sustainable social housing, and to develop and facilitate the emergence of the social housing sector as part of the broader urban regeneration programme for the inner city Johannesburg.

The Metro Housing Service Unit had, established the First Metro Housing company, which essentially operate as a section 21 company and provides Social Housing in the Greater Durban area. Substantive work was carried out in implementing the Hawaii Apartments, literature and statistic will be used in the case study.

The Durban City Council has produced several inner city studies and in particular a study on current residents and proposals to densify the city. The report and statistics will help the researcher to get familiar with the current trend in the inner city Durban. It will also provide a comparative analysis on the scales of rent being charged in the inner city.

A vast amount of research has been done on rental housing. In 1993 and 1994, the National Housing Forum commissioned worked on the feasibility of rental housing as part of the government's housing approach. Subsequent to this debate, however, rental housing fell from prominence. It has only been recently, with the rising dissatisfaction regarding the quality of housing provided by the government's capital subsidy, that rental housing has again become a popular area of debate. As these initiatives have grown in prominence locally, international research on rental housing also reflects a steady increase in the number of people in rental accommodation in the major cities of the developing world. This report however does not address the rental housing debate directly, as social housing can incorporate a range of tenure option's form rentals through to collective ownership. The rental tenure option is most common in the various social housing initiative currently underway in South Africa.

## 2.7 Evaluation of data

All closed questions ie. the statistical data, age, number of children, etc. are tabulated and shown graphically. All open ended questions are scored and ranked. A likert scale of 1 to 5 indicating 5 as the most relevant and 1 as the least relevant or not appropriate. All responses that did not answer the question were ignored.

The following points below are used by the researcher in concluding that social housing is accessible and affordable to low income people:-

- Accessibility:-
  - Convenience to the respondents in terms of locating or finding suitable accommodation;
  - Accessibility to secure tenure;
  - Accessibility to the surrounding environment and amenities;
  - Accessibility in terms of time; and
  - Accessibility to transport.
  
- Affordability:-
  - Monthly rentals - paid by the respondents as compared to previous accommodation and the amount in rent paid as compared to the surrounding flats;
  - Monthly expenses, due to respondents being able to afford more at the end of every month, as a result of low rents; and
  - Cost of living - the cost of living in the Hawaii Apartment was lower then was previously experience indicating a sign of affordability.

## 2.8 Short coming of methodology

There were a few problems experienced whilst carrying out this dissertation, namely:-

- Social Housing being a very new concept in South Africa, posed a problem with accessing current literature. There has not been any academic research into inner city social housing as yet. A few survey are underway and are still a long way from completion.

- The respondents in the survey carried out, were not honest in answering the questions asked, mainly when it came to income, number of people living in their flat, and other questions that related directly at them. Some of the respondents did not answer the questions, making the analysis difficult.
- Fieldwork posed a major problem, in administering questionnaire, as most of the residents are not well educated, did not understand the questions, or were very afraid of answering questions as they would get into trouble with the tenants committee.
- Time Constraints - More time is required to carry out a more detail investigation. Better results would have been gathered if all residents were interviewed.

## **2.9 Conclusion**

This chapter has sought to explore the way forward to this research. It examined the literature review, and other material available to the researcher. This section has also mentioned the method that will be followed in the survey, and some of the problems experienced in conducting this research.

The following chapter discusses what is social housing, and also the theory behind social housing, ie. The Welfare state. This chapter will also look at rental theory.

## **Chapter Three : Contextual Framework**

### **3.1. Introduction**

This chapter sets a context within which housing exists. It deals with the notion of social housing and the theory behind it ie. The Welfare State. The Urban land use theory, which affects, rental in the inner city will also be discussed.

### **3.2. Social Housing**

Social housing is a particular approach to access affordable housing. Based on the strength of collective ownership, social housing seeks an approach in accessing and managing affordable housing (Social Housing Foundation;1998). The intention of a social housing approach is to provide low-income households with an affordable housing option (incorporating both rental and ownership tenure), as well as a host of other services which provide community development and empowerment benefits and promotes a life style conducive to community living (ibid.).

Through a social housing approach that pools the resources of its resident community, the affordability of each household is increased. Many social housing schemes increase the affordability further by re-directing financial surpluses back into the organisations. Often, the institution, association, or group formed initially to deliver housing, becomes the catalyst for further social and economic development and the provision of better services.

“Social Housing” as an approach, can constitute the ways in which a housing scheme or project is conceptualised and planned, developed, financed, and managed. It may encompass all these factors, or just some of them. In all cases, it involves a long term stake on the part of the institution, association, or group formed initially to deliver the housing, in protecting the security of tenure of residents (Social Housing Foundation; 1998). For as long as social housing has been accepted as a housing concept in South Africa, people have debated its definition and means of implementing it. The institutional subsidy policy allows for both profit and non profit companies to access institutional subsidies for the purpose of providing housing on a collective basis to beneficiaries of the housing capital subsidy scheme (Social Housing Foundation; 1998/1999).

Given that social housing is a relatively new concept in South Africa, it is critical that social housing initiatives not be constrained in their innovative approaches by a restrictive

definition (Social Housing Foundation; 1998/9). It is also important that social housing be adequately defined as a distinctive approach to housing that differs from other forms of affordable housing.

### 3.3. The welfare state paradigm

In an attempt to understand the theoretical paradigm within which the concept of social housing emerged, in the delivery of social housing, it is essential to understand the broader Welfarist State paradigm. According to Nevitte (1977, 33) a "welfare state is founded on an universal principle of social justice where institutions which create and hold the right to property should satisfy the concept of justice". The welfare state comprises of two sets of activities:-

- i) **State provision of social services** to individuals or families in particular circumstances or contingencies, basic social security, healthy, social welfare, education & training and housing. These may be further subdivided into benefits in cash and services in kind. The former refers to money payments by the state for which services can subsequently be purchased. The latter refers to those activities of the state where it directly produces a service "in kind" which is available free or at a greatly subsidised price (Gough, I; 1979).
- ii) **State regulation of private activities** (of individual and corporate bodies) which directly alter the conditions of life of individuals and groups within the population. It must be noted that 'alter' and not 'improve', is used which could be both quantitative and qualitative, and for 'better' or 'worse' according to measures of human needs. Such regulations would include taxation policies, and a whole range of social legislation(ibid.).

For many writers within the tradition of social administration and its equivalent abroad, the welfare state has as it's goal, the satisfaction of human needs and the improvement of human welfare. The following definition can also be considered:-

"[The object of social services] is the improvement of the condition of life of the individual." (Titmuss, R)<sup>2</sup> ;

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<sup>2</sup> R Titmuss, Essays on the Welfare State, in Gough I, 1979.

“The distinctive feature [of welfare activities] is that their manifest purpose is to influence differential ‘command over resources’ according to some criteria of need.” (Carrier, J and Kendall, I)<sup>3</sup>; and

“Social policy addresses itself to a whole range of needs-material, cultural, emotional-outside the wide realm of satisfaction which can conveniently be left to the market.” (Lafitte, F)<sup>4</sup>.

Common to all is the view that the purpose of the welfare state is the enhancement of human welfare, the imposition of more enlightening values over those embodied in the capitalist market system. The socio-political landscape of United Kingdom and America has been dominated by a large measure of government interventions in providing social goods. The emphasis has therefore been social security of citizens within the broader market economy. These states spend substantial money on social security, health, education and housing.

### **3.4. Rent and the Urban Land Use Theory**

The rental concept occupies a critical position in the theories of urban land use. According to Marx it is set in the Alonso-Muth-Mill formulation<sup>5</sup> and it emerges in the form of shadow prices on land and resources in programming version of other locational theories (Harvey; 1973). Marx states by a way of contrast, land use theories generated out of the neo-classical and micro-economic paradigms, focuses upon exchange value which also shown by Jevons in which use value is equated to exchange value at the margin (Harvey; 1973).

In the housing market this is taken to mean that individuals trade-off the quantity of housing (usually conceived of as space), accessibility (usually cost of transport to place of employment), and the need for all other goods and services. It is presumed that consumers are indifferent with respect to certain combinations of space and accessibility. It is also presumed that individuals bid for housing at a location up until the point where

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<sup>3</sup> J Carrier and I Kendall, Foundations of Social Administration Science, in Gough I, 1979.

<sup>4</sup> F Lafitte, Social administration: Readings in Applied Social Science, in Gough I, 1979.

<sup>5</sup> The theory of Muth and Mills concentrated on the residential sector of the land market and the way in which variations in the cost of land, residential construction, transportation and other goods and services contributed to the changing residential structure (Harvey; 1973).

extra amount of 'satisfaction' gained from a move is exactly equal to the marginal utility of laying out an extra quantity of money(ibid.).

Alonso<sup>6</sup> writes that rent and location theories are twin, but linkages are elusive. Rent functions as a rationing device which sorts land uses into locations, via competitive bidding. Harvey (1973) states the concept of rent has a long and controversial history in political economic thought, yet rent enters into urban land use theory in an innocent state as if there were no serious problems attached to its interpretation. This fact may be accounted for by the pervasive and complete acceptance in micro-economic urban land use theory of the neo-classical view that rent is the return for a scarce factor of production and that land is in essence no different from labour and capital (Harvey;1973).

Marx's primary interest was manifested in the rent, in the competitive market economy. He lists three basic kinds of rent which typically arise under the capital mode of production:-

- Monopoly rent - arises because it is possible to charge a monopoly price determined by the purchasers eagerness to buy and ability to pay, independent of the price determined by the general price of production as well as by the value of the product. The opportunity to charge a monopoly price creates the opportunity for landowner to reap a monopoly rent(Harvey;1973);
- Differential rent - takes on its meaning in a relative space which is structured by differentials in productive capacity at different locations and which is integrated spatially through transport relationships. Differential rents are created in Marx's view, through the operation of the capitalist mode of production; and
- Absolute Rent - is distinguished from monopoly rent in that it gives rise to monopoly price, whereas an independently determined monopoly price allows monopoly rents to be gained.

The high rental value of land in central cities should be interpreted as a reflection of differences in marginal productivity of land. Absolute and monopoly rents at these locations enter into the cost of production. If absolute and monopoly rents are dominant in the determination of land value at central locations then it is land values which determine use. According to Harvey (1973) land and property rents in central locations

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<sup>6</sup> Harvey D, 1973 Social Justice in the City, p 176

do not arise out of the land's marginal productivity but out of the process which permits absolute, and even more importantly, monopoly rents to be charged.

Once rent is institutionalised it can appear under various guises. The investor in land, for example, equates rent with interest on capital. This creates the illusion that land is itself a productive factor which must be paid for and whose cost must enter into production costs. This cost is in fact tax (rent) extracted by private property as absolute or monopoly rent. There is, however some confusion surrounding ground rent on the one hand and interest as a return on capital improvements on the other. Marx accepts that there is a legitimate distinction to be made here, but he argues that capital improvements which are relatively permanent and which are incorporated into the attributes of the land (and he includes permanent structures in this) should be analysed from the point of view of rent rather than interest.

The conclusion to be drawn from this is that, rent exists only in a contingent sense. It is dependant upon a mode of production and certain institutions concerning property ownership. If this is the case, according to Harvey (1973) then the relationship between use value and exchange value is likewise a function of the general processes operating in society. All land-use theories must be regarded as contingent. There are only specific theories which can play specific roles in helping to demonstrate existing conditions or in establishing alternative choices under a particular set of assumptions about the dominant mode of production. The contingent nature of urban land use theory, is most clearly exemplified by the way in which particular conceptions of rent produce particular kinds of theory's.

In the inner city the forces of production are at play ie (the monopoly, differential and absolute rents). The price of property and in turn rents will be determined by the surrounding environment, as well as the location of property. This factor will have a significant impact on development of the inner city for low income housing and more especially social housing.

Interestingly enough, the literature on land use and land rent has been demonstrating an increasing awareness of the one-dimensional view of rent adopted in neo-classical models. In terms of the neo-classical framework, rent is simply regarded as a return to the "relative productivity" of a factor of production. There is no place for the elaboration of the rent concept into sub-compartments such as absolute, differential, or monopoly rent(Harvey,1973). This is an important point since it underlies a debate about who benefits and who loses from the process of urban land use?, for example amongst

different classes and subgroups in the residential sector of cities.

An instance of this debate is provided by the differences that exist with regard to the interpretation of the pattern of rents that exist in the typical housing market. Harvey (1973), by contrast draws attention to the possibility that higher rents in central areas of cities may be due to absolute or monopoly components of the rent where central city landlords have a captive market of low income and other relatively immobile poor who are either unaware or unable to take advantage of other housing options.

### **3.4.1 Rental Policy For Social Housing**

Rents are determined by the company/ Housing Association/ landlord. The following factors are taken into account when deriving the rent for a particular development :-

- the size and feature of the property;
- the amount needed to cover the maintenance, management and other costs related to the property; and
- the income levels of tenants.

When a home seeker accepts a dwelling, he signs a tenancy agreement. It contains a number of general rules from tenancy legislation, such as rules on rent increases and rent protection, as well as a number of specific rules from the housing association in question. Both landlord and tenant have obligations. The landlord has to keep the accommodation in a good state of repair. In addition, the landlord has to offer "quiet enjoyment", ie the landlord cannot enter the tenants home when he wishes. The tenant may only use his building as his home. In addition the tenant has to pay the rent and carry out small routine repairs. Finally when the tenant terminates the tenancy, the tenant has to leave it in its " original state". The association can charge the tenant for any repairs which he fails to carry out.

### **3.5 Conclusion**

This chapter has given us an idea of what social housing is and the idea behind it. It has also looked at how inner city rentals affect social housing projects. In essence the price of property in the inner city is higher than in other areas. This is because of the location of property as mentioned above, and also convenience to amenities. The implication here for social housing would be that the cost of development of a project in the inner city would be higher and more expensive. This issue will have an impact on the case study

to be discussed in chapter 6. As mentioned above there is no specific policy for social housing, but other housing and related legislation do mention social housing, and sets a way forward to be developed.

The following chapter will discuss the historical context of social housing internationally. Also discussed is social housing in a developing third world country. The chapter also examines different social models .

## **Chapter Four : International Experiences of Social Housing**

### **4.1 Introduction**

International experience in housing in the UK, has had a profound impact on the social housing sphere in South Africa. Valuable lessons have been drawn on to develop social housing locally. The British and Netherlands experience is similar, but operates differently. Inner city development proved decisive in the evolution of social housing in South Africa, its roots internationally are in inner city initiatives (Murie, A & Wilmot, P;1998). The most common focus of social housing policies internationally is urban regeneration. Institutions established 100 years ago in Europe and Britain still exist and still provide housing for the working poor. In the UK, the industry has been operating since 1851. In Canada and the United States of America (USA), social housing was seen as the solution to urban blight(Housing in Southern Africa, 1999; p25-37).

Housing associations were introduced in Britain as part of the 1974 Housing Act, to help preserve inner city neighborhoods. Across the world, social housing is targeted at low income households, filling the gap between pure rental and individual ownership. International experiences can provide some critical lessons for South Africa to consider in the development of local social housing policy. Some of these lessons will be discussed below.

Social housing approaches have been both formally and informally pursued in South Africa for generations, from early as the 1920's, when social housing was developed to address poverty which had arisen as a result of war conditions. In the 1940's, 50's and 60's, the provision of public, race-based housing approximated what is now called social housing, in the sense that housing stock was offered for rental and not ownership (Social Housing Foundation;1998). Most recently, the social housing debate has come into sharper focus, primarily through a demand for purchasing inner city housing on the basis of collective ownership (Social Housing Foundation; 1998/1999).

This then lays the foundation for the influence on the South African Government, which operates in the same way more especially after 1994, where South Africa can be seen playing the role of a Welfare State. Until 1997 the State had not played a very active role in social housing, but since then a huge turn around and demand for social housing, has put pressure on the state to invest into the provision of housing for low income people via the subsidy mechanism (Pretouious, T; 1996 in Housing in Southern Africa).

## 4.2 International(United Kingdom)

The history of social housing started in the UK in 1901 with the Housing Act. The Housing Act is the juridical basis of housing as we now know it. The history of predecessors of social housing goes back to the mid 19th century. There have been some movements that emanated from the Housing Act of 1901 and the housing planning that we know in the beginning of this century. The most important movements were:-

- 1850-1900 sanitary movement; originated from fears of widespread epidemic diseases and public health;
- 1900 and the social movement aimed for better living conditions for the poor and better working conditions for laborers;
- 1900 -1910 The "City beautiful movement";
- 1900- 1920 urban planning movement; and
- 1930 the regional planning movement (Social Housing Foundation; 1998).

Against the background of those movements there were groups of people or sometimes individuals that took the initiative to release new housing for laborers. A number of first initiatives to realise social housing were "fixed dividends companies". A fixed dividend company paid a fixed profit on loans that didn't extend to more than 4% of interest. In working that way, money was made available for building the houses. A number of the later housing co-operations started as fixed dividend houses. In 1920 there were also labour unions that took the initiative to start co-operations. They didn't have money of their own, so they also went the fixed dividend route (Davison, A;1999 in Housing Studies Vol 4 (1).

In recent years the relationship between local authorities and the housing co-operations have endured big changes. In the period after the Second World War the housing co-operations carried out the policy that was set by national government. Housing policy was very centralised. In the 80's the decentralisation of housing was carried out, local authorities were responsible for many housing issues and regulations. At the end of the 80's and beginning of the 90's there were subsidies for most housing activities. This all has caused very big changes in the relationship between local authorities and the housing co-operations. Nowadays it has more character of a public-private relation in which both parties have to negotiate with each other (Social Housing Foundation;1999).

As in almost all Western-European countries private housing agents provided most residential accommodation for a long time. Letting of dwellings was a normal economic

activity. Profit expectations determined the price as well as the size of the investment in housing. The role of central government was limited. Towards the end of the 19th and the beginning of the 20th century during the rather cautious start of industrialisation in the Netherlands, a limited degree of central government involvement developed, instigated mainly by public health considerations. This central government involvement led to some degree of imposing quality requirement standards for dwellings, and to approve housing developments (Power, A; 1993).

In spite of the governments aloofness a certain form of non-profit letting started to come up. This constitutes the basis for what was called the 'social rental sector' after the Second World War. According to van Rijn (1997), this germinated from:-

- Progressive liberals and entrepreneurs who founded bodies with a view to provide acceptable housing for factory labourers. Such housing would promote labour productivity;
- Church initiatives to benefit respective poor church members;
- Initiatives of labour unions and the social-democratic movement for their rank and file members; and
- municipalities which founded local public housing bodies to tackle the housing problem. This development was the forerunner especially by social-democrats, church orientated politicians and progressive liberals.

This resulted in the emergence of non-profit landlords on the market whose share in the total stock amounted to some 10% in the Second World War period. During the war, there was an almost standstill in housing production and numerous dwellings were destroyed. After the Second World War (the reconstruction period) the government became closely involved in housing. After the war an inventory of the dwelling stock was made. With this inventory (almost 5.5% of the dwellings stock was heavily damaged or destroyed) an indication of the damage and how it was spread throughout the country was taken note of, for re-planning purposes.

In the meantime the number of households increased dramatically, as a result of (postponed) marriages. Altogether the dwelling shortage was running to around 300.000 in 1948, a considerable task for a small country (van Rijn, M; 1997). There was an enormous lack of money, material and skilled workers. Given these circumstances, the government was forced to promote large-scale construction production. Economic growth meant wage restraints at that time. Rent control was an important part of the wage and price policy. The first few years after the war rents didn't increase, but the increase of

construction cost led to enormous differences in rents between pre-war dwellings and post-war dwellings( *ibid.*).

A section of the population was insufficiently able to provide for its own housing needs, so the government conducted a policy that was specially geared to this section of the community. This part is referred to as "Social Housing", or the housing market for lower incomes. An important role in social housing was played by independent housing associations. Actual building production and managing the dwellings for rent by housing associations took the lead after the war. The property owned by these associations grew by leaps and bounds. The associations became the foundation of the social housing sector and the trustees of the enormous social capital that had been invested in that sector (Power, A; 1993). Central government involvement, after sometime, was restricted to new construction, but also extended to maintenance of existing stock. New construction were subsidised by two kinds of grants; location-tied subsidies and housing-tied subsidies. This way dwellings became affordable for people on lower incomes.

In the Netherlands almost 50% of the dwelling stock is rental. The government aims at a proportion of owner-occupied homes within this 50% stock in the year 2000 (van Rijn, M;1997). On the basis of this view of housing, approaches of change have been launched since the late 80's and early 90's. The key concepts here are decentralisation and independence. Decentralisation has meant that central government has passed on some of its tasks, competencies and responsibilities to local authorities. Independence has meant that the housing associations have come to stand more on their own feet (*ibid.*).

One of the most important conditions in housing policy, is a clear model of the role between central government, local authorities, housing associations and citizens. The Netherlands have gone through a growing process in this role-modeling. From the "baby-phase", where the government like a parent, had complete control and responsibility to a phase of maturity where responsibility lies with housing associations. This model can be applied as a building block for other countries to develop on.

### **4.3. International Experience : Subsidisation for Social / Rental Housing**

#### **4.3.1 USA**

The Federal Government in the U.S. has attempted to provide affordable housing to "low income" people since the Great Depression of the 1930s. However, subsidised housing

projects were often built or administered poorly, resulting in slums and unsafe conditions for tenants. All too often public housing came to resemble the worst public restrooms, dirty, smelly and sometimes even scary. The Republican Congress elected in the 1950's tried to empower tenants with Rent Vouchers allowing them to seek their own housing from private landlords, rather than confining low-income tenants to public housing ghettos(Kemp; A, 1994 in Housing Studies 9 (4)).

- **Section 8 Rental Assistance - Voucher/Certificate Programs in the Private Market.**

A Section 8 rental subsidy is a federal payment to a landlord on behalf of an individual tenant. In a Section 8 certificate tenancy, the household pays 30 percent of their income for rent. The difference between 30 percent of the household income and the set "fair market" rent of a unit is paid by the federal government. Certificates have been phased out during the late 1990's in favour of Rent Vouchers. The Section 8 voucher program varies from the certificate program in that there is not a cap on the rent level. The tenant obtains a voucher for a set amount of money based on the area, and if they are willing to pay more than 30% of their income on rent, they are free to rent a unit that exceeds the "fair market rent" figures used in the certificate program(Kemp; A, 1994 in Housing Studies 9 (4)).

Unfortunately, the money available for housing vouchers does not come close to meeting the demand for subsidies. Applications are taken only sporadically and once accepted for the program, people can expect to wait a fair amount of time before they get a rent voucher in their hands. Tenants have 60 days from the time they receive a voucher to find a house in the area that meets the Section 8 physical requirements, that does not exceed the established rental guideline, and in which the property owner is willing to participate. Sometimes it is possible to get an extension on the 60 days, but sometimes tenants have to return the voucher unused because they cannot locate a unit that meets the requirements(Kemp; A, 1994 in Housing Studies 9 (4)).

#### **4.3.2 The UK - Housing Benefits**

The UK's housing subsidy system for tenants of rented accommodation is called Housing benefits(HB). It can be claimed from a tenants local authority who pays up to the full amount of someone's "eligible rent". The eligible rent is the part of someone's housing charge which pays for housing services, so it covers the cost of housing, but not electricity, any meals provided by the landlord, etc (Thomas, J; *pers com.*, 2000).

HB is not paid automatically. Individuals have to claim HB by filling in a form and providing proof of their income and how much their rent is. The amount of HB someone is entitled to depends on their income and is generally only available to people with low incomes. So, someone who receives Income Support or Job seekers Allowance (these are benefits for unemployed people) will generally get HB equal to their full rent. People with low paid employment (particularly if they have children) may get all or part of their rent paid through HB.

HB is a generally good system for tenants whose income is very low because it will pay for their whole eligible rent, so there should be no chance of them losing their income because they are poor. The amount of HB paid to tenants in low paid employment is, however, quite controversial. If someone who receives HB earns an extra £1.00 they lose about £0.75 of their HB, so the question is why bother working. It seen as a disincentive to work because you're not much better off (in gross terms) at the end of the working week because you lose nearly as much HB as you've just earned (Thomas, J; *pers com.*, 2000).

#### **4.3.3 The UK - Social Housing Grants**

Registered social landlords (which are non-profit making organisations, many with charitable rules) can receive capital grants called Social Housing grants. These grants can vary depending on the type and location of property, but the average of about 54% of the amount of money given through this avenue is substantial at over £500m per annum. If an area as a whole is earmarked for regeneration, then the local authority can bid to the central government for money from the single regeneration budget, but very little of this tends to go towards social housing. There are substantial discounts for the purchase of social housing by the tenants through various "right to buy" schemes. These have been largely responsible for the fall in the amount of social housing over the last 20 years, and the extension of home ownership to people who would not otherwise have considered it (Campon, D; *pers com.*, 2000).

The creation of a social housing sector is an essential element in the mission of non-profit housing organisations. While some advocates include government ownership as one form of social housing, most consider social housing a "third way" - private and non-profit (Barton, S; 1997). Social housing uses a combination of nonprofit ownership and capital grants to provide permanently affordable housing allocated on the basis of need rather than ability to pay. The defining economic mechanism of all project-based assistance, including social housing, is the use of capital grants for construction or purchase of

housing in order to reduce monthly rents or ownership charges (ibid.).

This result is possible because housing is a particularly capital-intensive good, requiring a large initial investment in construction or purchase as well as the ongoing operating and maintenance costs. The rent that tenants pay to a landlord has two conceptually distinct components: first, the cost of operating and maintaining the building, usually 40 to 60 percent of the rent, and second, the net operating income (NOI), the remaining 60 to 40 percent of the rent. The purchase price of for-profit housing is based on the capitalised value of its future net operating income, so conversion to social ownership requires the nonprofit to buy out this income stream. Project-based subsidies in the form of capital grants eliminate the need to provide profits for investors or repay lenders of money used to construct or purchase the property.

This allows the non-profit owner who receives the subsidy to reduce the net operating income component of the rent so that residents need pay only the amount necessary to operate and maintain the property. (A prudent social housing organisations will not entirely eliminate the NOI, but rather set rents at a level that maintains a fund for future major repairs or renovations). Housing allowance programs are tenant-based subsidies that simply pay towards both parts of the market rent. Social housing requires both the initial capital investment and a form of ownership that can keep housing costs permanently below market and will take the return on invested capital in the form of reduced rents allocated to people according to need, rather than as profits from market rents ( Barton, S; 1997).

#### **4.4 Social Housing in Another Developing Country - Zimbabwe.**

The above paragraphs have looked at how social housing developed in first World countries. To get an understanding of social housing developments in a developing country just like South Africa, this section will look at the development of social housing in Zimbabwe.

The Government of Zimbabwe has declared socialism to be the primary objective, but is there something called a socialist housing policy? (Schlyer, A in Mathey K ;1990). In many third world countries governments declare their objectives to lie in a socialist direction, and inspiration for solving problems related to basic needs is searched for in socialist countries. In Zimbabwe statements have been made that housing policy should be a mechanism for redressing colonial inequalities and wealth according to socialist goals( Patel (1985) in Mathey, K; 1990). There is a simplistic but widespread view of

what elements a socialist policy should include. The view of housing as a social right, and the emphasis on governmental responsibility are two such elements that have been mentioned in the formulation of housing policies in Zimbabwe.

The view of housing as a social right was declared by the Minister of Housing in 1981, who vowed to assure all people shelter, food and clothing. The governmental responsibility for housing was also stressed. It must be clear that the society as a whole owes the poor a duty or obligation to live in environments that are not merely dignified but are conducive to better health and better life ( Mathey, K; 1990).

#### **4.4.1 Housing Crisis in Zimbabwe**

In Zimbabwe the average urban population growth rate is about 6% p.a., which is double Africa's rate of about 3.1%p.a. Like many other countries in the developing world, Zimbabwe, faces an acute housing shortage. This crisis is emblematic of broader social and economic trends. In particular the shortage of low income housing reflects persistent inequalities in Zimbabwe which, by many indicators, are growing.

Urban population continues to rise, bringing with it the attendant economic and social problems for the poor. The United Nations estimates that Zimbabwe's urban population will have increased from 1.2 million in 1975 to over 4.5 million in 2000 (Munzwa, K; 1997). If growing urbanisation and increasing harsh economic environments form the roots of this protracted housing crisis, inefficient land allocation, high interest rates, high inflation and rising construction costs exacerbate the problem. In Harare alone the housing queue peaks at over 100 000 families. Additionally, due to a variety of legislative, political and practical impediments, Zimbabwe has not yet resolved the complex question of land shortage. Yet even if land were available, poor individuals face a lack of access to finance, high construction costs and difficulty servicing a debt if they got mortgage loans. The cost per square meter of servicing a stand and building a house has risen sharply over the past five years (ibid.).

#### **4.4.2 Housing people in Zimbabwe(HPZ)**

In response to this crisis, the first housing Co-operatives were formed in the mid 1980's. In the early 1990's also in response to both the housing crisis and the need for support to the housing Co-operatives, HPZ was founded and registered as a not-for-profit non-governmental organisations in 1992 (Munzwa, K; 1997). HPZ is committed to creating a vibrant, sustainable housing co-operative movement in Zimbabwe. With financial

assistance from the Canadian, Swedish and German co-operative movements. HPZ works with local authorities, relevant government ministries, and housing Co-operatives across Zimbabwe, to assist poor people in building and maintaining affordable housing themselves (ibid.).

HPZ works with people who would never be able to afford a house without the co-operative structure. These clients work in both the formal and informal sectors of the economy. While it is difficult to offer a profile of an average informal sector employee, clients employed in the formal economy generally earn between Z\$316 to Z\$2000 per month, with most falling in the lower end of this range (Munzwa, K; 1997). Ideal Co-operatives draw from common bases where members either work or live together in the same community. This commonality ensures that members share similar income levels and expectations for their houses. From an administrative standpoint, a common base facilitates trust, transparency and democratic control.

Co-operative housing uses simple economic principles. By pooling financial, managerial and technical resources, poor people bring down their overall housing cost. Because the co-operative structure spreads individual's financial risk over the whole membership, Co-operatives may gain access to finance, and investment opportunities which would otherwise be unavailable to them as individuals. In the same way Co-operatives bring down the per-unit cost of housing because they buy material and building equipment in bulk. After registering as a co-operative, each co-operative functions as a corporate body.

The co-operative can enter into contract, sue, be sued, acquire and dispense assets etc. Since its inception HPZ, has increased in number of housing Co-operatives from a mere handful to over 150 000 by mid 1997. In so doing it has afforded thousands of low income families the opportunity to fulfill their dreams of owning a home (Munzwa, K; 1997).

#### **4.4.3 Activities of HPZ**

As the engine of co-operative development in Zimbabwe, HPZ offers Co-operatives financial consultation, management training and technical services throughout various stages of co-operative development. Day to day work falls into four broad categories, namely :-

- co-operative development;
- technical services;

- financial planning and management and
- legal services.

#### **4.4.4 The Housing Co-operatives movement : Achievements and Constraints**

Unlike in the agricultural sector where Co-operatives have existed for many decades, Co-operatives in the housing sector are very recent phenomenon in Zimbabwe. The first housing Co-operatives were founded towards the end of the eighties (Munzwa, K; 1997). It is important to note that real estate development is a very expensive and complex matter for anybody, let alone low-income communities/Co-operatives. Thus at their formation housing Co-operatives do not fully appreciate what they are getting into. They usually think that once they have saved say a hundred thousand dollars they can start a sizeable housing estate development, on a virgin piece of land. Little do they know that to deliver a fully serviced plot costs about \$40 000 (Munzwa, K; 1997).

This lack of technical knowledge has led to yet another problem, that of pyramid development, where Co-operatives do not plan for all their membership but just build a few houses at a time. More often this has meant that houses built are both unaffordable to the individual member and that the project is unsustainable (Munzwa, K; 1997). Because there was no single organisations or authority to give these Co-operatives technical assistance they floundered. When one looks at what the housing Co-operatives have done, given the foregoing limitations, one cannot help but admire their achievements. It goes without saying that if Co-operatives received necessary training and technical support from the out set they would have achieved a great deal more (Munzwa, K; 1997).

#### **4.4.5 Constraints to Housing Co-operatives Efforts**

The major constraints that must be overcome if housing is to be made accessible to low income moderate families can be separated into 5 categories, viz:

- access to land;
- access to finance;
- the cost of land, servicing, building and financing;
- access to technical know how; and
- weak internal financial and managerial capacity of housing Co-operatives.

As may be expected these constraints are interrelated. Each presents a formidable barrier to housing accessibility. They are compounded at the policy level by the absence

of a supportive housing policy. The above constraints sharply contrast with the persistent hope Co-operatives have for co-operative housing development. Consequently, the housing co-operative movement is now at crossroads. As an organised movement, co-operative housing will surely benefit from the formation of an apex organisations which, Co-operatives hope, will improve the movement's administrative efficiency and lobbying muscle (Munzwa, K; 1997).

By contrast, housing Co-operatives and the housing sector in general, find themselves subject to powerful economic, social and political forces. While these forces are beyond the influence of one institution or organisations, they nevertheless prevail upon all players in the housing co-operative movement to find innovative and powerful solutions.

## **4.5. Social Housing models**

### **4.5.1 Introduction**

Professionals in the field of housing have looked at different models of social housing throughout the world, and how they impact or relate to South Africa. This research will look at five countries that have had a bearing on social housing and the policy in South Africa. In the case studies major points were highlighted by the professionals as contributing significantly to South Africa. These are looked at below.

### **4.5.2 The Canadian model**

A review of the Canadian model for the implementation of social housing suggests that Co-operatives could be used as vehicles for social housing. Viability would seem to depend to some extent on adequate government financial support. The functions of regulation and financing are not undertaken by the same body. The body responsible for financing is the National Housing Corporation, which has a wide range of powers in this regard (EFK Tucker INC; 1998). Regulation is a function undertaken at a provincial level by specific provincial departments.

There does not appear to be a distinction between the department responsible for registering the co-operative and that responsible for its oversight. The regulations in (Ontario and Canada) do not contain specific legislation relating to housing co-operatives rather, they are dealt with as subsets of normal co-operative legislation. While not constituted as "companies" in the manner of a South African section 21 company, they are required to be run on a cost basis, with the emphasis "not-for-profit" being on the provision of housing rather than the acquisition of profit (EFK Tucker INC; 1998). The

Ontario Act regulates the co-operatives more highly, and has several provisions regarding security of tenure, requiring that eviction may only be done by due process, and providing for several manners in which this decision can be challenged. In Ontario, certain aspects of “house rules” are included directly in legislation(ibid).

Housing units will be owned by the co-operatives rather than the members, and that the members rights to the unit linked to membership of the co-operative. There is no special tax dispensation for housing co-operatives in Canada. A comparison with the South Africa co-operatives model suggests that specific legislation providing for co-operatives could be introduced. The provision of new legislation could provide for specific co-operatives. Regulated in the manner of the Ontario Act (greater regulation, but also greater statutory security), provided for co-operative being run on a not-for-profit basis (EFK Tucker INC;1998).

#### **4.5.3 The English model**

Of all the models researched, England has the most well established regulatory body providing legal status to social housing institutions. The body also acts as a financier and general regulator over the management of housing associations and providing capacity building and technical assistance to social housing institutions registered as “social landlords”(EFK Tucker INC;1998). The Housing corporation is a statutory body established in terms of Housing Act of 1969. It’s key statutory function are to register and de-register social landlords, to provide statutory guidance and to set regulations on key areas of activity of social landlords.

It has powers to interfere in the management of registered social landlords, to scrutinise returns and accounts submitted by social landlords and to ensure compliance with the legislation and the Corporation statutory guidance and determinations, but mostly to ensure sustainability and to supervise social landlords where performance is unsatisfactory using where appropriate the statutory powers to intervene, eg. appointments to governing bodies, statutory inquires etc. The key element of the Corporation’s approach to regulation and supervision are to set up public standards of performance ( including financial issues), to seek annual confirmation from the governing bodies that these standards are being attained (including review of accounts, quarterly financial reports etc), to investigate where there is concern about the performance being achieved, and to require remedial action to be taken to address confirmed performance failings backed up by statutory action where necessary (EFK Tucker INC;1998).

One other function of the Corporation is to ensure that registered social landlords are financially viable, thus financial regulation is an integral part of performance review. The Corporation checks past and current performance and reviews future financial forecast, which inform decision about the investment of public funds (EFK Tucker INC;1998). Where a registered social landlord is found to be failing to meet performance standards, the corporation is vested with extensive powers to ensure that the registered Social landlords move towards compliance within an agreed timescale, which powers include power to takeover the administration of the registered Social landlord and to replace this with an administrator of the corporation's choice, and also includes powers to liquidate and windup the operations of the Registered Social landlord (EFK Tucker INC; 1998).

Tenure options are regulated by landlord and tenant laws, and not by the Housing Corporation. One of the by-products of England's social security system is that, over the years, in order to avoid exploitation of tenants by unscrupulous landlords, they developed a variety of security of tenure options under the rental sector, which has resulted in complications and confusion. Housing Associations have equally been subjected to this complication and confusion. However, there is a move to relax rent control and as a result of this certain security of tenure mechanisms are being abandoned (EFK Tucker INC;1998). Since 1997, leases by registered social landlords have ceased to be secured tenancy and are now assured tenancy, which means in essence that the rights and protection a tenant had as a secured tenant are less. The main lesson to be learnt from this is that the tenancy options should be kept as simple as possible.

There are exemptions that housing associations can apply for in terms of the income and Corporations Taxes Act. Interest payable by a housing association is treated as payable by the members of the association.

#### **4.5.4 The Netherlands model**

Housing associations in the Netherlands have moved from being over regulated to self regulated. Now there is more flexibility and innovation in the regulatory system. However, there is a compulsory supervisory board appointed with the adoption of Social Rented Housing management Decree of 1993 whose functions are to supervise the internal operations of housing associations (EFK Tucker INC; 1998). The regulator does not act as financier, being merely a general regulator over internal management of housing associations. The supervisory board has power to intervene in decision taken by a general meeting where it is of the opinion that such decision conflicts are detrimental to the sustainability of housing associations. This has an effect of reducing the power of

the general meeting of the members of the housing associations, however this done on objective grounds. The role of the compulsory supervisory body was to advise management, to monitor the work and acts of a housing association where necessary, the object being to ensure sustainability. This structure makes it possible to employ paid management in the form of a director/manager to oversee the operations of housing association.

One interesting feature of issues regulated in terms of this model is that housing associations are required to have a business plan for each year of operation, which has to be approved by the compulsory supervisory body. In certain instance, eg where the business plan includes a plan to dispose of dwellings owned by the housing association or a plan to take over a stake in another housing institution, such plans need to be approved by the minister, who has powers to vary the plan. At the end of each year local authorities are empowered to review the plan with the objective of determining whether the housing association met its year's objectives. Financial support for housing associations is mainly in the form of guarantees from funds set up by the sector itself and from subsidies from the government. A central Housing Fund was set up by the sector in 1988 because of government's withdraw from the responsibility of reorganising failing housing association. It is funded by a levy on housing associations. The purpose of the fund is to assist housing associations experiencing financial difficulty.

Housing associations in the Netherlands provide an interesting variety of tenure options varying from pure rental stock, hire purchase housing, authorised tied ownership and rent-to-buy options. These tenure options are not regulated but determined by the market. Letting of residential accommodation is exempted from VAT. Certain approved institutions, as opposed to private landlords, are exempted from company tax. (EFK Tucker INC;1998).

#### **4.5.5 The Chilean model**

The regulatory body, the Department of Co-operatives, within the Directorate of Trade and Industry, purely regulates internal management of co-operatives, having no funding powers nor does it provide capacity building. Powers of regulator are embodied in co-operative legislation which sets out in detail how and for what purpose can co-operatives be incorporated, how they should manage their internal affairs, regulator merely overseeing compliance with the requirements of co-operative legislation. The regulatory body has extensive powers over the internal management of co-operatives in that it monitors compliance with the Housing Co-operatives Act and co-operative by-laws, can

summon general meetings and objecting to decisions taken by the general meeting, including liquidating co-operatives on objective grounds (EFK Tucker INC; 1998).

The Act regulates capitalisation and capital maintenance to some extent, ie regulates how profits are to be distributed by providing for legal reserves and prescribes minimum capital requirements for different types of co-operatives. It is then the function of the regulator to review financial statements of co-operatives to ensure compliance with the Housing Co-operatives Act. Where there is no compliance with financial requirements, the regulator has power to intervene, which may include giving clear directives on how to remedy the situation, facilitating for a management body to take over the operations to ensure compliance and finally, may wind up and liquidate a co-operative.

One interesting feature of the Supreme Decree is that it provides for penalties against office bearers, ie. Members of the management structure, for negligent and culpable performance. Once penalised, such a person is precluded from holding an office with any other co-operative. In South Africa's law this penalty is limited to Directors and Trustees.

Chile has the most interesting and useful model of the rent-to buy scheme, which is regulated by law. Three "approved" institutions are working together in this scheme, ie a developer (real estate company), a financial institution and a Housing Fund. A developer would either develop housing units subject to a rent-to-buy scheme or would acquire a unit identified by the beneficiary. Financial institutions are material players in the scheme in that they receive the deposits from the beneficiary. A portion of the deposits is paid over by the financial institutions to the developer/real estate company as rental and another portion is paid over to the Housing Fund and this portion constitutes the beneficiary' equity. The fund is allowed to invest in the open market subject to certain conditions set out in the Act (EFK Tucker INC;1998).

#### **4.6 Criticism and Challenges**

During the late 1970's and the 1980's the importance of social housing associations was challenged by classical economists. These scholars and practitioners questioned the efficiency of a welfarist economy and its housing delivery system. Nesselien (1988) argues that welfarist housing delivery in Western Europe has produced a low number of housing units as compared to that of the private sector delivery housing in the United States. Moreover, a lot of criticism have been leveled against social housing. They include criticisms of the economic efficiency of housing associations, government intervention, rent control and management of social housing associations.

Nesselien (1988) argues that social housing delivery is non-competitive because it is dominated by government. Government legislation, controls on housing finance and building form favour public provision over the private sector. Hugo and Dieleman (1997) state that investors were not eager to invest in the housing market, not because of the low returns but rather because of the extent of government intervention. The extensive subsidies and active promotion of not-for-profit organisations offset private sector and economic proceeds that would have been gained from taxes. Public housing provision channeled people into one type of housing and provided them with no choice of "the type" of housing.

Social rent has also been criticised by neo-classical economists. Their contention has been that rent control does not give landlords any incentive to improve their housing stock. Nesselien (1998) comments that rent control leads to excessive depreciation of the housing stock. Developers neglect maintenance due to lack of motivation for improvements. Moreover, rent controls have made landlords disregard repairs and leave the stock to run down.

By the late 1970's there was a significant change in government policy throughout Western Europe as a result of economic recession. According to Kemp(1994) the fiscal crisis of the late 1970's and the 1980's prompted significant cut-backs in social welfare. There was an overall economic restructuring with government moving out of the economy(Kemp;1994). Private sector involvements dominated the previously government activities. Government intervention in housing delivery was also heavily curtailed. Subsidy contributions were reduced, social houses were sold for individual ownership, rent controls were relaxed and housing associations were residualized (Kemp, 1994).

Housing associations were also involved in the privatisation of social housing. In Germany, for example, housing associations sold some of their housing stock to private individuals, ending their era as social companies to become profit making housing organisations (Kemp;1994). Subsequently, there was a change in financial management procedure of housing associations. Housing associations were run in the same way as private estates. Krafte (1998) argues that there is hardly any difference between the housing association management and that of the private sector.

As government cuts-back on subsidies became severe, many housing associations increased their rent. Subsequently, many low income people were excluded because they could not afford rent and a few were confined to refurbished inner city social housing. Krafte(1988) stated that most striking problems stemmed from increasing un-

affordability by low income people. Meanwhile housing associations preferred people from the middle income group, believing that they could meet the increasing rent (Krafte; 1988).

In the government reform of the economy, home ownership was feverishly promoted with appealing incentives and grants to individual households. The 'right-to buy' policy prevailed in most welfarist states. In France, for example, there was a rapid increase in the number of people eligible for allowance in the 1970's and it rose to 50 percent in the late 1980's (Power,A; 1993). Thus, consequences were severe on housing associations as the middle income group moved to buy their own houses in the suburbs. Many houses in the inner city were left to low income people, as the middle and high income people moved out. Inner city housing suffered a depreciation of property prices and increasing prejudice. According to Kemp (1994) social housing in the inner city areas was limited to residual housing and often in stigmatised buildings.

As home ownership grew, housing associations began to be conformed to 'stopgap' housing for the poor. That is housing associations were 'projectiles' by government as low-income housing only, which prejudiced against the poor. Power (1993) adds that the right to buy polarised social housing and highlighted the unpopularity of housing associations with more affluent tenants. Pressure increased for authorities as a result of the drop in housing quality, and as a result, housing association resurfaced in an altered form. The housing problems and government aversion to intervention in the provision of housing prompted a new approach to housing association. The new approach is an integrated approach that incorporates the provision of housing with many other factors. These include public-private partnerships, community participation and the general socio-economic improvements of social environments.

#### **4.7 Implication for South Africa**

South Africa is slowly seeing the development of what might be called social housing. The collection of social housing models underway have prompted the following 5 points that South Africa could use in developing a vibrant social housing model:-

- The use of co-operatives as a vehicle for social housing;
- An independent social housing sector/ regulatory authority;
- The creation of a facilitative framework for social housing;
- Mechanisms to ensure security of tenure; and
- An appropriate tax environment

## **4.8 Conclusion**

This chapter has sought to give us an indication of what has been going on in the social housing context internationally as well as in South Africa. It can be noticed that social housing started in the 1900's due to bad conditions in the environment, this has been noticeable in all countries. Especially after the World War II there was rapid delivery of housing, both internationally and in South Africa. Social housing took off due to initiatives by associations/co-operatives, that provided low income people with housing opportunities. This form of housing took different forms, but mainly concentrated with inner city housing.

Many lessons from international history could be learnt for countries developing social housing, especially for the first time. There are many lessons to be learnt for South Africa from the Zimbabwean experience, and there many lessons to be learnt from the international social housing models.

The following chapter will discuss the background of social housing in South Africa. The housing policy and funding framework, and social housing in the inner city Johannesburg are discussed.

## **Chapter Five : BACKGROUND TO SOCIAL HOUSING IN SOUTH AFRICA**

### **5.1 Introduction**

This chapter intends to provide a background on social housing in South Africa. It will firstly explore the history, then discuss the policy and funding frameworks. It also discusses the state's role in the delivery of affordable social housing. It proceeds by examining the local context of social housing, and social housing in the inner city. The Social housing project in Johannesburg (Sevens building Project) is reviewed, and possible lesson learnt are discussed, which would be useful for South Africa and other countries to note.

### **5.2 History**

Social housing is not new to South Africa. While it has been gaining in prominence in recent years, social housing approaches have been both formally and informally pursued in South Africa for generations (Social Housing Foundation;1999). From as early as the 1920's when social housing was developed to address poverty which had arisen as a result of war conditions, social housing has been present in the South African context. In the 1940's, 50's and 60's, the provision of public, race-based housing approximated what is now called social housing, in the sense that housing stock was offered for rental and not ownership (Social Housing Foundation;1998). These types of housing consisted of attached and semi-detached housing of 1 to 2 storey's.

Many of the informal rental arrangements emerging in the span of backyard shacks and informal settlements which proliferated around South Africa's cities since the late 1970's might also be defined as incorporating the "social housing approach". Mutual self-help methodologies have also been identified by some as incorporating the social housing approach (Social Housing Foundation;1998/1999). Most recently, the social housing debate has come into sharp focus, primarily through a demand for purchasing inner city housing on the basis of collective ownership. The first formal examples of social housing, were launched in 1919 and 1925 in Cape Town. Garden Cities and Communicare non-profit housing companies in Cape Town targeted the white working class who lived in unhygienic, overcrowded conditions. In 1981, however, PW Botha announced that government would financially aid the establishment of housing utility companies, and this led to the formation of twenty-five such companies within three years (Social Housing Foundation; 1998/9). Today, few of these remain. Those formed by the Urban

Foundation were agglomerated into the New Housing Company (NewHco), a Section 21 housing development company (ibid.).

Around the same time in informal settlements around the country, members of the South African Homeless People's Federation (SAHPF), communities working with the Urban Sector Network (USN), and individual households, were improving their accommodation on a collective basis, known popularly as "mutual self help" (Urban Sector Network, 1998). While the SHF has defined this as a distinct form of social housing it is not the subject of this investigation. It is no less important to note that collective approaches, be they in building, management, financing, or a combination of these, allow for additional options from which low income households can choose when seeking to meet their housing needs (Social Housing Foundation; 1998/9).

Following the introduction of the institutional subsidy mechanism in 1995, the Seven Buildings Project became one of the first two institutional subsidy applications to be approved. The other was awarded to a mutual self-help project, the Victoria Mxenge Association in the Western Cape, which is a member of the South African Homeless People's Federation. To date, 2728 institutional subsidies have been approved, but not yet paid out. 568 institutional subsidies have been awarded to institutions in the names of qualifying beneficiaries (ibid.).

### 5.3 Housing Policy Framework

The policy environment guiding the development of social housing in South Africa is addressed by the Reconstruction and development Programme (1994); the Growth, Employment and Redistribution: A Macroeconomic strategy (1996); the White Paper on Housing (1994) and The Housing Act (1997). While these policies are not specific to social housing, they provide the context for the emergence of the sector and provide fundamental principles as a bedrock upon which social housing can be developed.

This is evident in the emergence of a number of policies which, together with the institutional subsidy also contributes to what is now a framework for social housing. Firstly, the **White Paper on Housing** provides some guidance to the government's thinking on the matter. Notwithstanding the fact that the White Paper on Housing neglects to acknowledge social housing, it does indicate the need for social housing, in a few key sections. Specifically, the national housing vision states that: "Government strives for the establishment of viable, socially and economically integrated communities, situated in areas allowing convenient access to economic opportunities as well as health,

educational and social amenities..." (White Paper, 1994).

Secondly, the Department of Land Affairs promulgated the **Communal Property Associations Act** in 1996, allowing for the establishment of "communal property associations" which provide collective tenure rights to members.

Thirdly, the establishment of the **National Housing Finance Corporation**, also in 1996, and specifically the Housing Institutions Development Fund, provided a much needed source of finance for housing institutions.

Fourthly, **The rental Housing Bill**, 1999, seeks to stimulate the rental sector in a number of ways.

Fifthly, the **Housing Act (1997)**, encourage and supports individuals and communities (including co-operatives, associations and other bodies which are community based), in their efforts to fulfill their own housing needs. Assistance is envisaged in the form of access to land, services and technical support in a way that leads to the transfer of skills and empowerment of the development within the disadvantaged sectors.

Other policies that have an impact are :-

The **Masakahane** campaign launched by government in 1995 with the view to accelerate delivery of basic services and housing, stimulate economic development in urban and rural areas, promoting the resumption of rent, services and bond payments, creating conditions for large scale investment in housing and services infrastructure and promoting the creation of conditions conducive to effective and sustainable local governance.

The **RDP** is an integrated and coherent socio-economic transformation framework for South Africa. With reference to housing, the RDP calls for a wide range of tenure options including individual and collective home ownership, as well as the provision of sufficient affordable rental stock. The policy also encourages the establishment of community controlled financing vehicles with support from the private sector and government. In addition, Provincial and Local government are identified as primary agencies in the delivery of housing stock.

The **GEAR** strategy address the economic policy environment for housing development. It identifies a strategy for rebuilding and restructuring the economy

in keeping with goals set in the RDP. This integrated strategy emphasises the development of human resources and stresses the link between efficiency and equity. With this strategy, the provision of housing and related services is regarded to have beneficial social and economic distribution.

Gear in essence intends to achieve the following:-

- create a competitive, fast growing economy which creates sufficient jobs for all work-seekers;
- a redistribution of income and opportunities in favour of the poor;
- a society in which sound health, education and other services are available to all; and
- an environment in which homes are secure and places of work are productive.

And finally, the establishment of the Social Housing Foundation in April 1997, is the most recent indication of the turning tide, in support of what is already proving to be a vibrant and effective social housing sector in South Africa.

## **5.4. Current Housing Funding Framework**

### **5.4.1 Introduction**

Financial viability is of critical concern for all social housing organisations. The special nature of social housing organisations which sees them straddle housing planning, development and ongoing management function, places them in a particularly vulnerable position in respect of access to finance (Touzel, H;1996 in Housing in Southern Africa). While the institutional subsidy provides an initial resource, the finance necessary for social housing organisations to initiate their projects(start-up capital), and to perform their planning, development and management roles (working capital), is extremely difficult to secure. In the current scenario, therefore, each organisation's arrangements to finance is unique, dependant on the opportunities which arise in respect of circumstances. Each social housing organisation has concocted an individual arrangement of finance, based on subsidies, donations, and credit or equity gleaned from individual sources (Social Housing Foundation;1998).

The process of securing sufficient finance, based on financial resources is a primary area in which social housing organisations expend energy, and this can be quite a capacity draining exercise. The National Housing Finance Corporation(NHFC) has emerged in

this context, to provide a range of financial products for housing institutions. Given the relatively small size of the social housing market, however, its role in the provision of long term credit is by its own admission at this stage still limited. Consequently, there is no single form of finance on which social housing organisations can rely in the long term to meet the broad needs of their operation (ibid.).

Within this context the linkage between financial viability and institutional capacity is critical. Organisations with sound financial management systems and the capacity to operate these efficiently, are not only more likely to access the available financial resources, but are also able to secure a significant portion of their monthly financial needs through their income stream (ibid.).

#### **5.4.2 Subsidisation**

The cornerstone of housing policy in South Africa is its policy on subsidies. As will be apparent from this account, it is the subsidy policy which, more than anything else, determines the nature of housing delivery system applied. Moreover, by far the biggest part of the government's housing budget is dedicated to subsidies (Housing Generator, 1996). It must be stressed, however, that the subsidies are much less substantial than any other sort of subsidies commonly available.

Four types of subsidies are available for people, depending on their income level. One type is specifically related to social housing, but the others do have an impact on each other. The subsidies can be used for building new houses, renovation (upgrading) as well as for buying existing houses. Three types of subsidies are meant for ownership. The fourth one, the institutional subsidy, can be used for rental housing. Institutional subsidy can be used by co-operatives and by organisations. In order to apply for subsidy co-operation is required between a community, a developer and all relevant stakeholders (including local government). A developer can be private organisations, community based organisations or Local/Provincial government (Housing Generator; 1996).

#### **5.4.3 The Subsidy scheme**

A subsidy is available for adults over 21 years old with dependants who earn less than R3500-00 (monthly gross household income) and for houses which cost less than R65 000-00. The subsidy is called 'one lump sum end user finance'. The subsidy scheme is based on the notion that the government cannot afford to build a formal house for everyone who is currently inadequately housed, and as a consequence, it is necessary

to secure additional financial resource form the private sector in the form of a home loans. The subsidy policy is thus predicated on the notion that as many people as possible should augment subsidies with contributions from their own sources or by raising a loan in the private sector, but it is recognised that some simply do not have the ability to do so. With this in mind, many subsidies are graded according to income as follows(this is not applicable to the institutional subsidy) :-

INCOME (per month)	SUBSIDY(lump sum)
R 0 - R 800	R 16 000
R 800 to R 1 500	R 12 500
R 1 500 to R 2 500	R 9 500
R 2 500 to R 3 500	R 5 000

(Source: Housing Generator, 1996; pg93)

#### 5.4.4 Institutional subsidy

##### Key Facts of institutional subsidy

- R16 000 subsidy per qualifying beneficiary, plus 15% to cover additional costs associated with locational, geotechnical, topographical and other factors.
- Institutions must be legally registered as a company, co-operative or communal property association.
- Beneficiaries may not take transfer of the property for four years following occupation.

The institutional subsidy mechanism is one of four mechanisms available through the National housing subsidy scheme. Specifically targeted at housing institutions, this mechanisms provides a R16 000-00 subsidy to institutions on behalf of beneficiary households. Housing subsidies are paid out of the National Housing Fund, via the Provincial Housing Boards, to enable institutions to provide qualifying beneficiaries with residential properties, at a cost that they can afford, and of a standard that satisfies the minimum health and safety requirement (Department of Housing; 1998; Fynn, S; *pers. com.*, 2000).

A critical feature of the institutional subsidy mechanism is that it provides a flat rate subsidy of R16 000-00 to all households earning less than R3500-00 per month. The flat rate is provided on the condition, that the household will reside in the stock on rent or

installment sale basis, not taking transfer of the property, for at least four years after occupation( *ibid.*). The institutional subsidy mechanism is a flexible subsidy mechanism which seeks to enable a range of institutional housing approaches. Other requirements of the institutional subsidy mechanism relevant to the financial framework in which social housing organisations operate are:-

- **Residents** - residents of the housing stock belonging to the institution need not necessarily be qualifying beneficiaries, but the institutional subsidy awarded will be calculated only on the number of residential properties occupied by qualifying beneficiaries. This feature allows for rational spread of income groups, and encourages the development of dynamic, self sustaining communities. In addition, it may also be allowed for cross-subsidisation to enhance affordability (Social Housing Foundation; 1998; Fynn, S; *pers com.*, 2000).
- **Form of tenure** - any form of tenure, provided that it offers security to the qualifying beneficiary in respect of property is permitted. An institution may offer any combination of tenure ie.
  - outright sale;
  - rent-to-own; and
  - simple lease agreement.
- **Institutional ownership** - to deal with situations in which institutional ownership of property may not be possible or desirable, institutions are permitted to operate on the basis of long term leases. This feature is particularly useful in respect of local authority involvement in an institutional project (*ibid.*).
- **Conditions of sale PHDB asset management** - if the institution decides to sell a property (land and improvements) to a qualifying beneficiary, the proceeds of the sale must either be used to create an alternative residential property, or be divided so that an amount based on the subsidy originally received in respect of that property is paid back to the PHDB (*ibid.*).

Given the lack of finance, national policy as defined by the Department of Housing, has allowed for the establishment of a number of facilitative organisations. Specifically, the (NHFC) and the National Urban Reconstruction and Housing Agency (Nurcha) were established, and made it possible for a number of organisations to finally formalise their initiatives and begin to deliver social housing. In 1998, the Housing Institution Development Fund (HIDF) became an independent organisation, having been formally

part of the NHFC. Its mandate is specifically to provide social housing organisations with finance. Other organisations which have emerged in recent years, and which are now having an impact on social housing, are the Home Loan Guarantee Company (HLGC), in Johannesburg the Inner City Housing Upgrade Trust (ICHUT), and the Social Housing Foundation (Social Housing Foundation Tool Kit;1998).

## **5.5 The States Role in The Delivery of Affordable Housing**

To substantially speed up existing delivery trends and to introduce incentives for mass-housing projects, the local government has proposed to adopt the following initiatives. These include:-

- adjustment to the Institutional subsidy regime towards the promotion of rental and social housing and the building of suitable institutional capacity to manage such housing;
- the creation of a special Programme to promote large scale projects through joint venture partnerships between the public and private sectors; and
- the commencement of the Programme to make the housing bureaucracy more efficient and responsive to the needs of the public ( Pretouious, T;1996).

The preferred tenure option is to promote individual home ownership in South Africa. This has the effect of potentially retarding housing in certain spheres. It also has an effect of undermining housing option that can have a potential of providing creative options to improve affordability. The whole range of options captured under the generic concept of social housing needs to be actively supported by the state.

### **5.5.1 Role of Local Government in Social Housing**

Local government will facilitate the delivery and management of social housing. Actual delivery and management will be undertaken by non-governmental sector, including private for-profit and not-for-profit actors. This sector has the potential to deliver social housing at scale, whilst the public sector does not have the resources or capacity to do so. This does not exclude, however, the possibility that the public sector itself delivers and manages social housing under specific circumstances, where for example, it may act as a separate social housing institution or in partnership with others(JHB Metro Council; 1999).

Local government intends to facilitate the emergence of the non-governmental actors needed to deliver, manage and maintain social housing stock. Local government will

introduce regulations in the sector only where necessary (JHB Metro Council; 1999). The government will provide financial and other resources in support for social housing, but the social housing sector must be accountable to the state for the use of these resources. Local government sees social housing as one mode of housing delivery among several which will contribute towards resolving housing problems and the housing backlog in the inner city.

Social housing will receive the same local government support as any other form of delivery, and its performance will be measured on the same basis. However Local government does recognise that social housing is a unique and new form of delivery in South Africa, with particular potential in the inner city, it may require particular forms of support in order to establish it on the same footing as other modes of delivery (JHB Metro Council; 1999).

Local government believes that the social housing sector must operate on a viable basis. Although it is acknowledged that the sector cannot function without state subsidies, given its target market of poor households. Local government supports its endeavors to ensure that state subsidy levels are contained within public sector budgetary constraints, and that projects conform to sound financial management principles. At the same time local government recognises that the cost of inner city housing delivery, management are relatively high, and that the funding constraints will limit the extent to which housing programmes in the inner city can accommodate the very poor.

### **5.5.2 Intervention by the state**

In adjusting the subsidy, the Minister of Housing would be rewarding creativity and innovation, particularly in the larger urban areas. A whole range of social housing options could be opened up, whether by private sector employers or local authorities willing to create new housing opportunities and entering into partnerships with tenants associations. The Department of Housing should ensure the mobilisation of skills and support to make social housing a realistic option (Pretouious, T; 1996).

Given that the state does not have enough resources to house the nation itself and consequently needs to mobilise non-state resources to the greatest possible extent, the absence of active and innovative private sector partner has caused serious concern. The intervention for central government is to provide financial incentives to generate a scope for public/private partnerships to deliver housing (Pretouious, T; 1996).

Government alone does not have either sufficient or appropriate resources to resolve the housing challenge with which we are now engaging. The national housing policy focuses on a vigorous partnership between government, the private sector and richly diverse communities. Lessons from the past and from other countries strongly indicate that benefits cannot be lost through an imaginative partnership approach.

According to the Minister of Housing at least 60% of the households and families requiring housing cannot easily acquire credit from the formal financial sector, and in fact 40% is estimated to earn less than R800-00 per month. This sector of the market is unlikely to be served by conventional housing delivery mechanisms, since the expectations of the poor cannot be satisfactorily matched by the products available in the market.

This housing association concept as demonstrated in the international context has been very successful in the delivery of low income housing via social housing. Many of the housing associations, are in fact private bodies that have developed to provide social housing. These associations have a vital role to play in the South African context, and they will be fully supported by the government, as mentioned by the Housing Minister.

## **5.6 Inner City and Social Housing**

The new approach in South Africa involves social housing focusing on high density housing in the inner city areas. The urban forms densification and compaction are used to redress the **ills** of the past and bring the low income groups into the urban fabric. There are moves in South Africa to create integrated development that intends to change the urban landscape of South African cities. According to Pauleson (1994) the emphasis is to restructure cities into complex, compact areas that allow accessibility for all. The framework is to create intensified development within systems of corridors activities and nodes. This involvement integrates transport, services, infrastructure and is a moved towards mixed use development (Pauleson; 1994).

To date, social housing initiatives are the only form of subsidised housing being offered in South Africa's inner cities (Social Housing Foundation;1999).

The reasons for this includes the following:-

- Gross product cost for refurbished old buildings, which are available in the inner city are significantly lower than that for new developments; and

- A large population living in generally exploited conditions in high density inner city areas is predisposed to embracing social housing as a way of achieving more conducive and secure living conditions.

Once residents return to the inner city, there is cause for other services, including shops, clinics, financial services, etc. to return to the inner city to service this market. This contributes to an improved tax base for the area, which provides local government with the resources to provide additional improvements such as green public spaces, public transportation facilities, and so on. The physical cohesiveness of household residents in social housing also assists local government in its' urban management role. Waste removal services, electricity and water distribution, polices services etc. may all be concentrated in relevant areas, and planned in response to the densities that exist. A possible solution to this problem is the complete overhaul of the urban area's development planning. Housing has to be a critical element of the integrated planning to redress overcrowding in the cities. Undoubtedly, the complex compact city approach can be provided through high density/low rise housing. According to Arrison (1996) there are several high density low rise housing strategies that can be applied to South African urban area, these include:

- **Infill** which provides new housing on suitable located vacant land in the city. This could be done in all buffer strips left vacant during the apartheid era;
- **Conversion** of old and vacant office building into new residential areas; and
- **Converting** the traditionally functional commercial area into mixed use.

In South Africa, there is a strong tendency of exclusive functions/ land uses which have created penalties for the economy. Whereas the new mixed approach is a stepping stone towards effective functioning of urban areas. Byerley (1995) in "Inner City Housing in Durban", lists some of the advantages of mixed use activities :-

- A person operating a business from home saves paying for added premises and reduces daily cost and time;
- It reduces pressure on city infrastructure and can save cost for the city's population;
- It contributes to the reduction of crime in certain parts of the city; and
- It adds variety, diversity and excitement to what are otherwise monotonous and dreary areas.

As mentioned previously in chapter 3, social housing is being used in the inner cities, as a restructuring and transformation tool. The inner cities are being transformed. This dissertation will look at case studies in Durban and Johannesburg, and look at some of the good aspects, and some bad elements, that could be used as lessons for further development of social housing.

The inner city of Durban, as defined in this dissertation, incorporates the Central Business District (including Grey street, the Esplanade, Albert Park, and the Beach area), Block AK, and Warwick Triangle). See Map 2. A tight definition has been opted for as there are very real distinctions between the form and function of areas within the inner city as defined here and those areas adjacent thereto. In essence the inner city areas have a mixed, rather than mono-functional use, they comprise a range of land uses in close proximity to one another, and they have a larger proportion of business uses than is the case in the adjacent areas, where residential uses make up a larger proportion of land-uses (Byerley and Kabi; 1995).

In order to assess the viability of injecting residential use into the inner city area it is useful to conceptualise this opportunity within the broader picture of housing as one of the most pressing needs in Durban. The apartheid years of social and spatial engineering led to a density gradient which is very often in opposition to the natural way in which people might normally have located themselves. Unlike most other countries in developing economies, Durban's inner city center does not offer a substantial amount of dwellings units for lower income groups. The densest concentrations of people are in the Durban Functional Region(DFR), found in the settlements 15 to 25km outside the city center (Durban City Council; 1998).

Only approximately 1.3% of the population of 3.2 million of the DFR resides within the inner city at an overall density of 30 persons per hectare<sup>7</sup>. The present number of people living in the CBD is 42 000. The present number of dwellings units is approximately 20 000. This would need to increase between 27 000 - 36 000 to meet the present demand<sup>8</sup>. The issue of 'densification' is critical, highlighted by the visible influx of people into the city in search of economic opportunity.

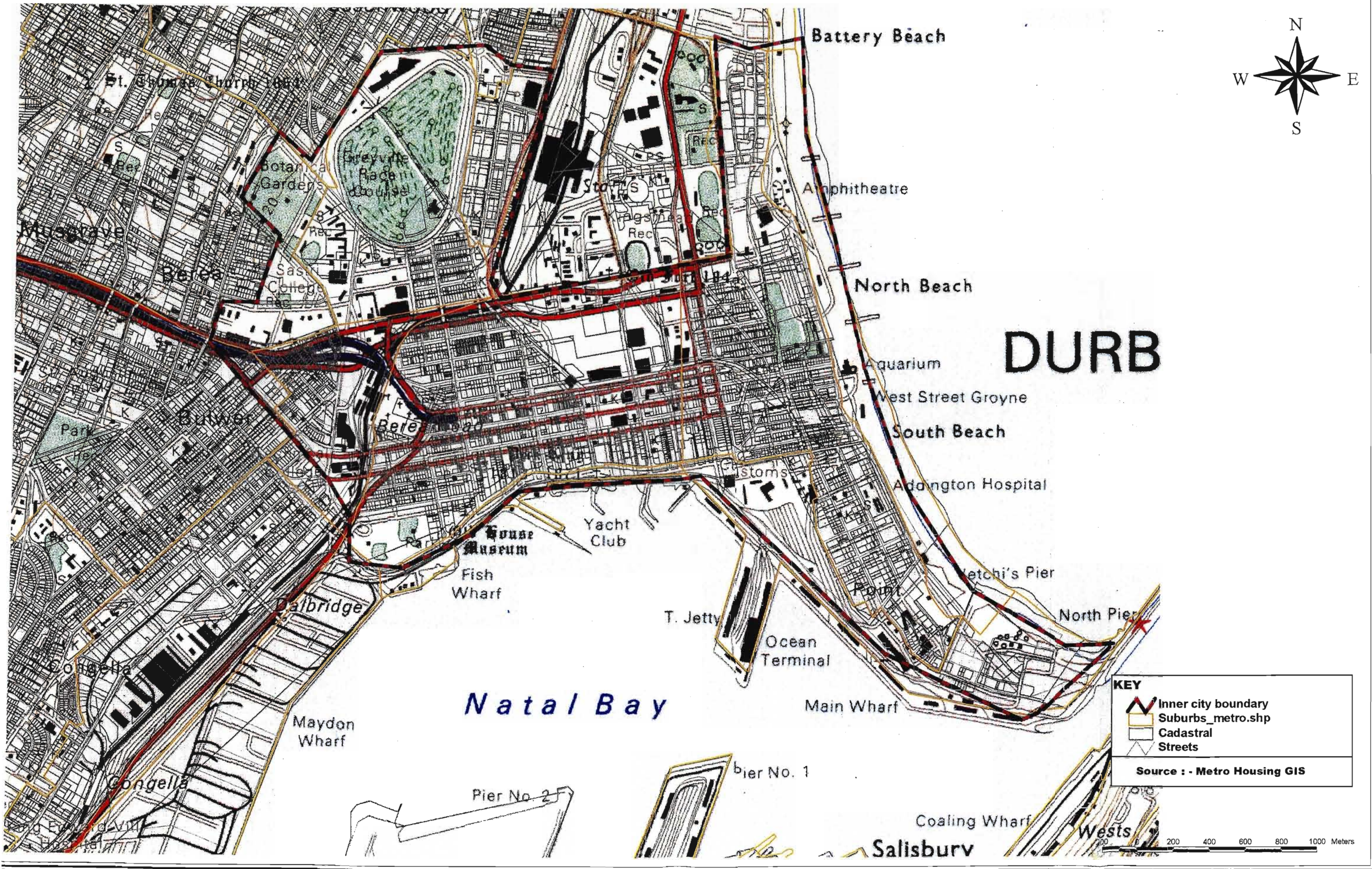
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<sup>7</sup>Population figures derived from 1991 Census. Total DFR population 3-3.5Million. Central Area population :42 000 (Source : Inner city Housing in Durban, Byerley M and Kabi M;1995)

<sup>8</sup>Data Research Africa: Inner City Survey 1994.

INNER CITY BOUNDARY AREA

MAP 2



## **5.7 Local Context**

The Johannesburg CBD has been the forerunner in the development of social housing in the inner city. The catalyst being the Sevens Buildings Project. The tenants of Seven Buildings in Johannesburg's CBD made an offer to their common landlord to purchase the buildings in which they lived. In applying for the first-time home buyer's subsidy, the project was informed that, while they could not access state subsidies on a group basis, government was considering ways to change this policy. Through their efforts to address their own situation, they set in motion a debate which resulted in the promulgation of the institution subsidy guidelines (Oelofse and Red, *pers. com.*,2000).

The nature of social housing facilitates urban regeneration and inner city densities, increases the range of tenure options available, and thereby accommodates the diversity of the beneficiary population. As a result, social housing is slowly proving itself as a viable complement to the more traditional project based and individual delivery within the low income housing sector. While not targeted at the poorest of the poor, social housing does meet the needs of households earning moderate incomes(R800-00 to 3500-00) within the lower income sector, this being between 20% - 25% of South Africa's population. While it is understood that social housing is not the answer to the government's promise of one million houses by 1999, its role in providing an additional tenure option, broadening the range of options available to the low income housing sector is recognised (MEC for housing, Mr Mashatile; 1998).

## **5.8 Inner City Housing in Johannesburg**

A brief overview of the case study of the Seven Building Project (SBP) was mentioned in earlier. The discussion below will review the process of the SBP. In early 1996 the Gauteng Provincial Housing Board paid R6 million to approximately 2000 tenants of the Seven apartment buildings in Hillbrow, Joubert Park, and Berea which enabled these residents to become owners of the 446 flats they were living in. This marked the successful completion of almost a six year struggle by tenants for ownership of their own homes and the beginning of co-operative housing in the Johannesburg inner city. The project was regarded as a "pilot scheme" for the delivery of low cost housing. Four years later, the project is falling apart. The discussion will look at what happened and draw out lessons that can apply to other inner city social housing projects of the similar nature (Cull, T;2000).

The seven blocks of flats from which the Seven Building Projects gets its name are situated in the inner city Johannesburg. The seven buildings are not clustered together but are geographically spread throughout the inner city (See diagram 1 below for a locality map of the seven buildings). As it is well known, South Africa has never had “normal” cities. Decades of apartheid have meant that, unlike many international cities, where the poor have tended to relocate to the inner city in order to be close employment, the South African system of race zoning and preserving the inner city for white use only prevented this from occurring (Dauskardt in Cull, T; 2000).

Up until the 1970's landlords increasingly began letting their vacant property in the inner city to Blacks. This gradual breakdown of the old racial order, as well as the fact that not all whites were able to move out of the inner city, saw the establishment of “grey areas”. Conditions were ripe for the emergence of slumlords - people were desperate for accommodation in the inner city and the only way in which many could afford the rent was to live in extremely overcrowded conditions. After a few years, during which the buildings deteriorated, tenants organised associations to fight for their rights, and started rent and bond boycotts.

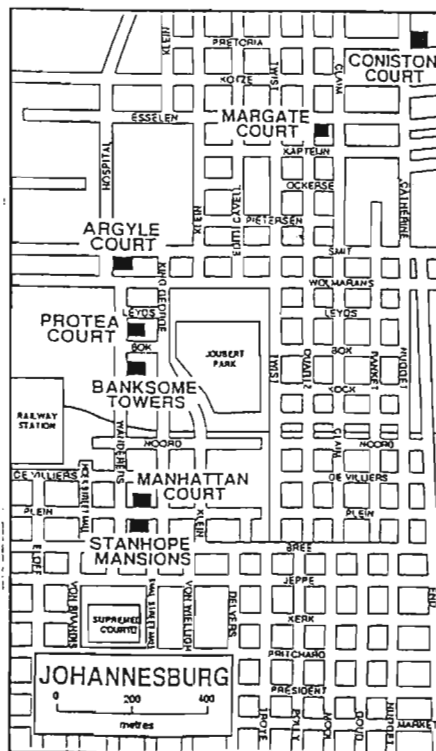


Diagram 1 of the location of the Sevens Buildings Project  
 (Source : Cull T, 2000; The Sevens Building Project)

A Seven Buildings Working Group was made up of tenants, attorneys, architects, quantity surveyors, two housing services groups COPE and PLANACT, and co-ordinated by the Legal Resource Centre. It was formed to create a co-operative social housing project which would meet a number of objectives:-

- affordable accommodation for low income earners to be attained through participation and the practical involvement of tenants;
- security of tenure for all the current tenants and management and control of the buildings by the tenants themselves;
- the creation of social housing stock which could remain outside the speculative market and therefore available to low income earners;
- involvement of local governments by making available subsidies and interest loans; and
- the promotion and support of projects and enterprises that further the development of an economic base for beneficiaries.

Attempts to get loans from banks were unsuccessful, as the banks felt this was too risky for them to support. The SBP then formed a co-operative and applied to the Provincial Housing Board for an institutional subsidy, which was granted to them. The institutional subsidy only covered the cost of buying the buildings. Money was now needed to upgrade the badly deteriorated buildings. The Inner City Upgrading Trust (ICHUT) was established in 1998 to aid in the process of housing delivery and to overcome the increasing "redlining" of inner cities by providing facilitation of services and short term bridging finance to housing projects (Oelofse and Red, *pers.com.*; 2000). ICHUT provided a loan to the SBP.

The tenants paid what is called "rental" each month although this is not a rental in the common understanding of the term as tenants are the owners of the buildings. It is referred to as rental as this is a common term for monthly repayments for accommodation but it is actually a repayment of the ICHUT loan payments for electricity and water used and to cover the cost of administration and upkeep (*ibid.*).

Towards the end of last year, about R400 000 of the ICHUT loan had already been repaid with 95% payment rate. Recently however, this had changed with tenants claiming that the management of the SBP is not transparent and that little has been done to improve the buildings while the management argues that every unit has been extensively upgraded (Cull, T; 2000). Despite these improvements, there have been allegations of fraud and mis-management of funds.

The tenants argued that because they had not seen any improvements in their buildings they were not prepared to pay more each month. Despite the numerous attempts to sort out the problem, one of the five buildings split up, throwing out the project's structure and sidelining its administration. Soon after the other buildings split from the project and opened their own accounts for their buildings. This then caused chaos and the collapse of the SBP. There have been many attempts to bring the buildings together, but residents say they will only get together when there are proper systems in place that they are satisfied with. Below are some lessons that could be learnt from this experience.

### **5.8.1 Lessons that can be learnt from the Sevens Building Projects**

From the overview of the history of the SBP, a number of lessons were drawn out by the Department of Geography and Environmental Studies can be learnt for future social housing projects. These will be looked at below:-

- **The smaller the co-operative housing project the better**

One of the problems of the SBP is that of its size, it was too big and involved many people with different opinions over how the project should be run (Cull, T; 2000). The breakdown in communication between members of the leadership structures and tenants as well as allegations of lack of transparency can all, in some way contribute to the size of the project. What is missing is a sense of community which in part maybe attributed to the size of the project and different locations and state of repairs of the building (ibid.), was a main contributor to this problem that arose.

- **Education is essential**

Education is very important. Tenants must be educated concerning their rights as well as responsibilities as members of a co-operative housing project.

- **Project should be tenant owned but not tenant managed**

As already stated the SBP was managed by the tenants themselves. The sheer size of the project as mentioned as well as the lack of education, empowerment and capacity on the part of the tenants, has meant that this idea is not feasible. It cannot be stressed further that tenants cannot run a building. There needs to be a manager that is not a member of the project nor a tenant in the building.

- **Housing projects cannot work in isolation - they must be part of a broader renewal plan for an area.**

Research done by the Johannesburg Housing Company indicates that people do not view the inner city as a permanent home but rather as a stepping stone to the suburbs (Makwela in Cull, T; 2000). Many are forced to remain in the inner city due to economic reasons but the ideal remains a home in the suburbs.

### **5.9. Urban regeneration through Social Housing**

Urban regeneration has become an important aspect of provincial and metropolitan government's inner city vision. Perhaps the most exciting potential of social housing is the contribution it is capable of making to this process. With the flight and influx of the less affluent residents, the inner city is facing a unique set of challenges. Much of the residential stock is deteriorating due to a combination of bad building management, absentee landlords, poorly organised tenants, substantial rates and services arrears and pockets of poverty, more common in the City of Johannesburg than in Durban.

The trend is reversible, through improved local government management of the public environment and the stimulation of private sector investment. The social housing sector can mobilise substantial public and private sector resources to effect urban regeneration (Ravestein, R; 1997). The sector is already assisting tenants to purchase and upgrade their housing stock, and in some cases producing new housing in Johannesburg and Durban. In line with its philosophy of mobilising the resources of all sectors, it is essential to support social housing institutions in their task to revitalisation of the inner city.

In the absence of specific, focused urban regeneration programmes, and without adequate local government support, social housing projects in the inner city are currently being developed in an opportunistic fashion, wherever individual social housing institutions can find suitable prospects. This means projects tend to be scattered rather than focused in any strategic way, reducing any possibility of achieving a critical mass of positive urban intervention in any one area, and the impact of a single project is not enough to stimulate urban regeneration.

### **5.10. Conclusion**

This chapter summarizes the history and traces back the roots of social housing in South Africa. It also discussed the policy and funding frameworks, and the role of local

government. It provides an overview of the social housing scenario in the inner city. It has firstly looked at the inner city in general, and then the case studies in the inner cities in Johannesburg. This chapter has also explored how social housing could be used as a tool for restructuring the inner city and providing accessible accommodation to low income earners. Valuable lessons from the Sevens Building project could be learnt by other social housing development

The following chapter will discuss the case study of the Hawaii Apartment in the inner city Durban.

## **Chapter Six : Case Study**

### **6.1 Introduction**

This chapter deals with the case study of the Hawaii Apartments in the Durban inner city. The chapter concludes by looking at a market assessment of residential buildings in the South Beach area in Durban.

### **6.2 History and background of The First Metro Housing Company and Hawaii Apartments**

**6.2.1 The First Metro Housing company (FMHC).** The FMHC is a section 21 company responsible for the establishment of the Hawaii apartments. In order to progress further the history of the FMHC will be briefly explained. In 1995 the Durban Metropolitan Council established a new service unit - "The Metro Housing Unit" (Wheeler, *pers com.*; 2000). In order to develop well located medium density housing stock, a suitable housing company (ie. FMHC) was mandated by a board of councillors and officials. Negotiations with the National Housing Finance Corporation to provide long term loans, was launched.

The FMHC aims to :-

- Provide a wide range of rental and rent to own accommodation which is both affordable and appropriate, to a target market of households earning between R 1 500-00 and R 3 500-00 per month;
- Provide accommodation in suitable locations throughout the Metro area;
- Facilitate home ownership in the longer term for tenants who so desire by way of appropriate tenure options; and
- Expand the range of accommodation providing accommodation for households earning less than R 1 500-00 per month.

More detail on the goals and objectives as well as management structure can be viewed in annexure 2; executive summary of the FMHC 5 year business plan.

#### **6.2.2. History of the Hawaii Apartments**

The Hawaii Apartments is a time-sharing complex consisting of three buildings known as Hawaii East, West and Central blocks, and are 6 to 8 storeys high. See attached locality

map 3 and photographs 1 to 3 below . The buildings were developed in the early 1970's. The buildings consist of 312 beds, but comprise of 127 apartments. There are two shops in the building, which are not part of the social housing project. Within the building is a number of parking spaces. There is also an external parking lot (Jettinghof, *pers com.*;2000).

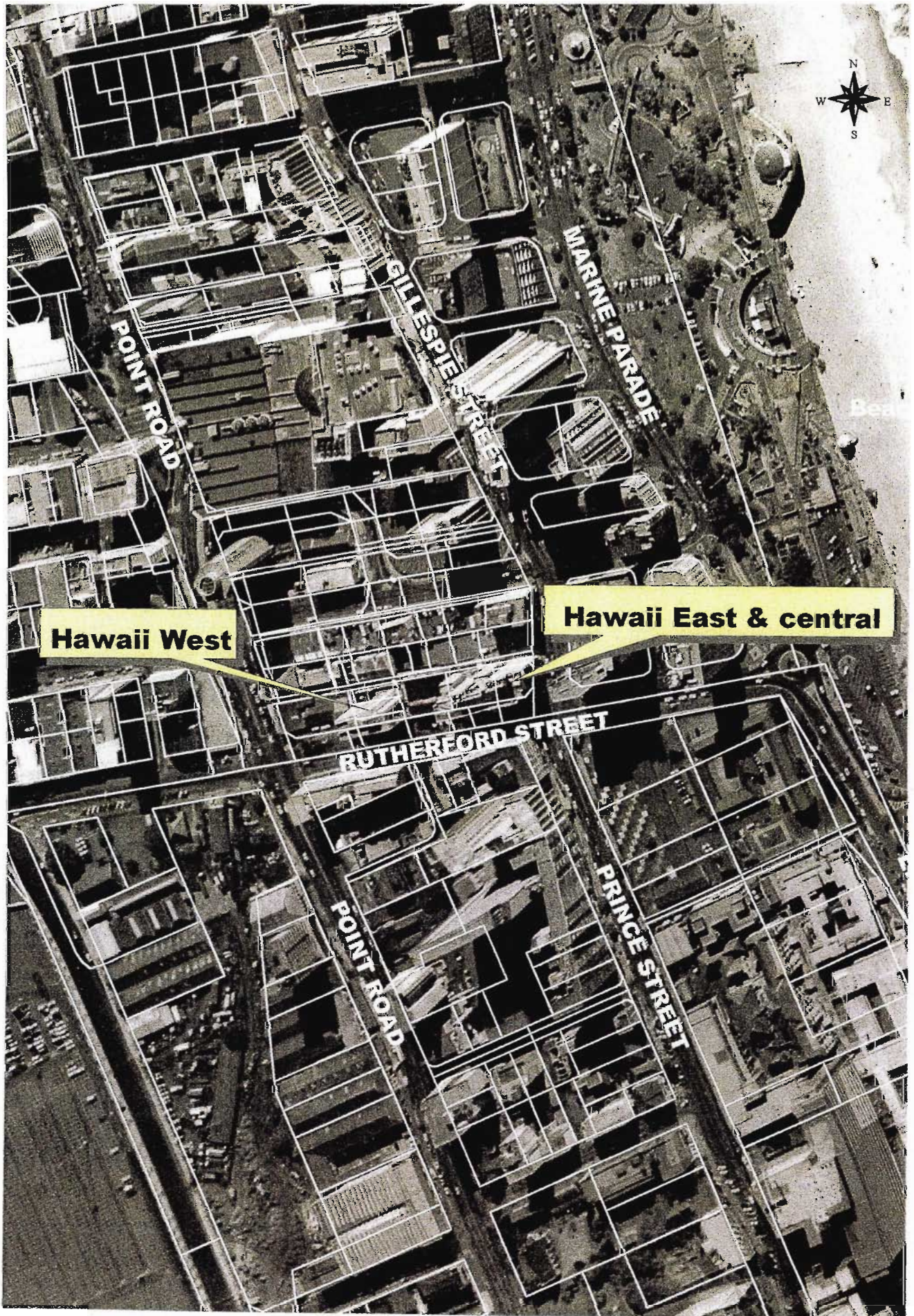


**Photograph1: Hawaii Apartments East Block**

**Photograph 2 : Hawaii Apartments West Block**



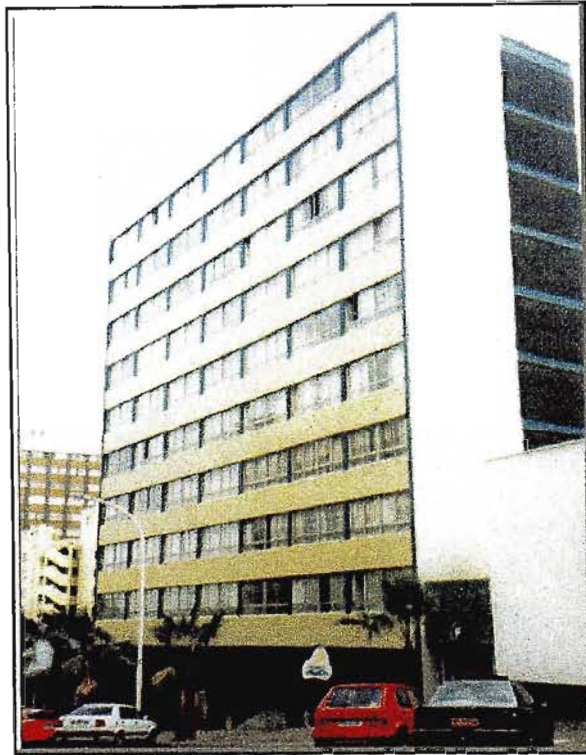
**Locality Map :- Hawaii Apartments**



**Hawaii West**

**Hawaii East & central**





**Photograph 3: Hawaii apartments Central Block**

The complex is located between the Golden Mile<sup>9</sup> and the harbour, and the corner of Rutherford and Gillespie Street (see map 3). The neighborhood is deteriorating. There are very old houses, old offices and store houses which are neglected. The open space as well as buildings are not well maintained. The whole neighborhood gives you a sense of insecurity (Jettinghof, *pers com.*;2000). The area immediately adjacent to the west and north of the Hawaii Apartments comprises of blocks of flats similar to the Hawaii building. These flats are between 7 to 15 storey's high (see photographs 4 and 5 of the surrounding development).

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<sup>9</sup> The Golden Mile is an area between Marine Parade and Lower Marine Parade. This area is flanked by luxury hotels and apartment blocks, the Golden Mile skirts the main beaches and the Indian Ocean.



**Photographs 4: Surrounding buildings (Rutherford Street)**



**Photograph 5: Surrounding Buildings (Point Road)**

The apartments in the Hawaii complex comprise of 1 and 2 bedroom apartments (see diagrams 2 and 3 of a layout of apartments). All apartments are fully furnished and fitted with air-conditioners. The building comprises of a lobby and reception, and on the rooftop of the building there is a small space for socialising, external purposes. This area comprises of a small swimming pool, a Jacuzzi and a steam-bath.



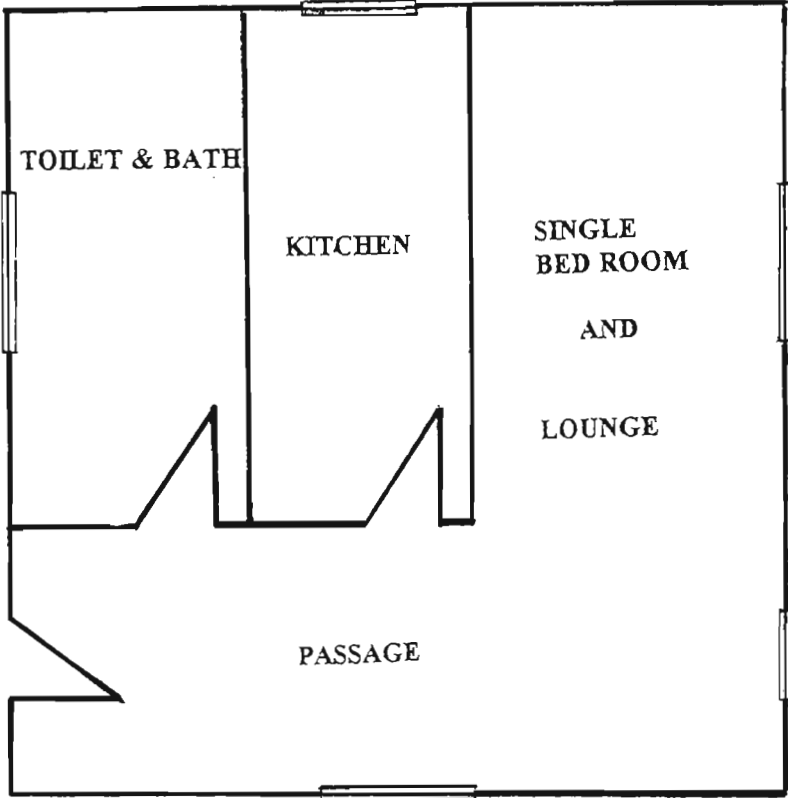
**Photograph 6: A kitchen adjoining the living room**

The view from the roof top of the Hawaii Complex is excellent, to the east is Addington Beach and the Point Water-front (see photograph 7) and to the west a view of the harbour. The apartments comprises of between 35m<sup>2</sup> and 75m<sup>2</sup>. The kitchen and living areas are located in one room, ie. open plan(see diagrams 2 and 3, and photograph 6).

The Apartments were advertised in the local newspaper and there were notices posted on the buildings. Once the residents were identified, and had been cleared to qualify for the Provincial Housing Development Board institutional subsidy, each tenant had to sign a lease agreement (see annexure 3 for copy of lease agreement), and abide to live by the rules of the First Metro Housing Company (see annexure 4 for house rules ).

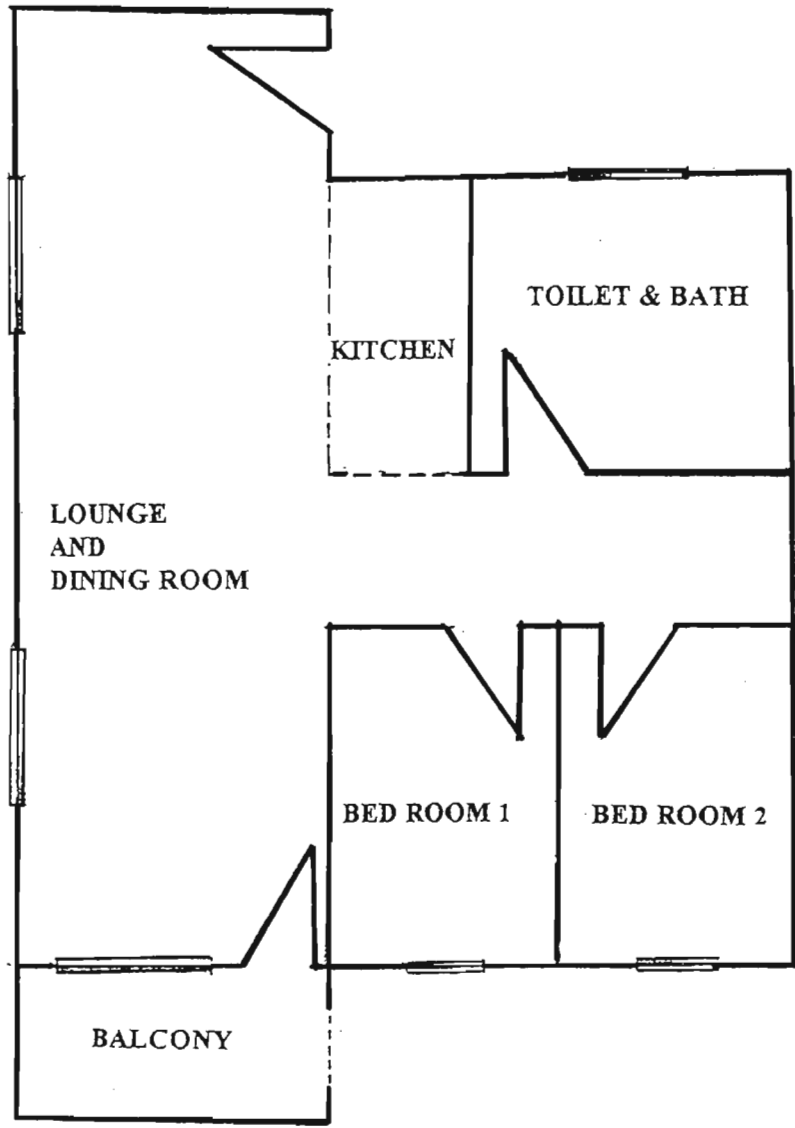
A tenant committee comprising of tenants from all 3 blocks were established to participate in the management of the buildings. The committee represents the rights and interests of tenants and ensure that the administrative system works effectively for the tenants.

Diagram 2 : One bedroom Flat

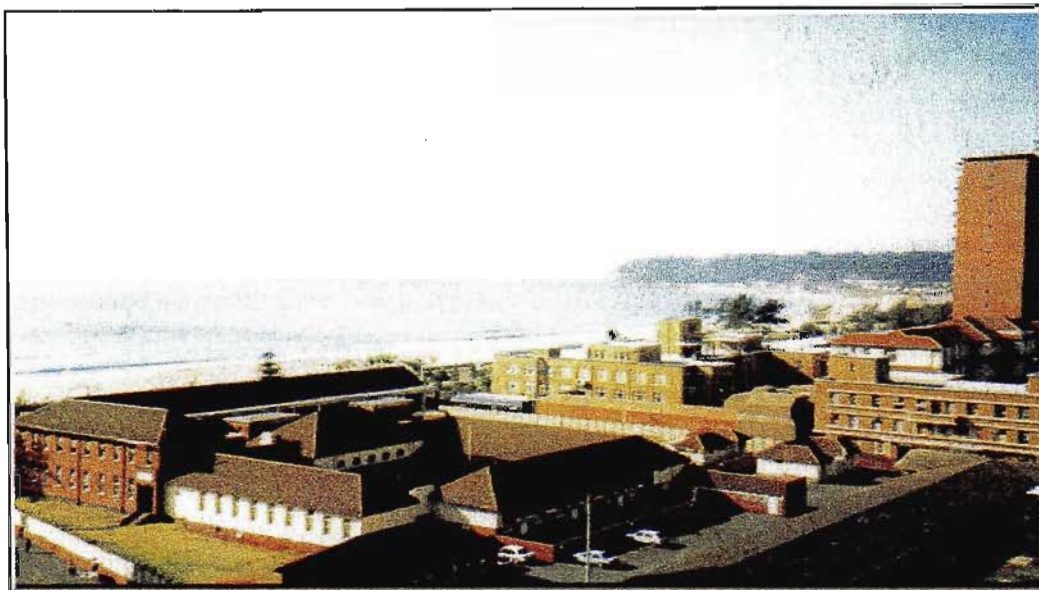


Source:-Site visit - Hawaii apartments, June/July 2000

**Diagram 3 : Two bedroom Flat**



**Source:-Site visit - Hawaii apartments, June/July 2000**



**Photograph 7 : View from the roof top of the Hawaii Apartments**

Interviews with some of the members seem to suggest that people like living at Hawaii Apartments, as the rents are very reasonable, the buildings suit their needs, people are very friendly and they all live like a big family. Residents have a say in the running of the buildings via the tenants committee.



**Photograph 8 : Night club in between the Hawaii Central and Hawaii West Blocks.**

So far they have managed to live without any serious problems. The only problem that seems to worry residents is the night club that is situated in between Hawaii East and Hawaii West (see photograph 8). Residents have to tolerate loud noises, music, people fighting. The surrounding area including the night club is rife with drug trafficking and prostitution.

### **6.3. Market Assessment**

In 1999 the FMHC undertook a market assessment of the area surrounding the Hawaii Apartments. Eight buildings of similar nature were chosen to be part of the assessment. The assessment consisted of finding out the general characteristics of the buildings and compared them to the Hawaii Apartments. Refer to table 2 page 78, for details of the assessment results.

As can be see from table 2, the average rent is about R1100-00 per month which is very high for low income people. It will be shown in chapter 7 that the Hawaii Apartments have very economical rents which are cheaper or almost the same as those of surrounding flats. Hawaii Apartments could afford to charge lower rents as the institutional subsidy, was paid to the section 21 company(ie. the FMHC), who pooled the funds of the residents and bought the building at a price that would in turn favour residents. The assessment revealed that there is a demand for accommodation in the inner city, as most of the flats are occupied and have waiting lists. Table 2 illustrated that people don't reside too long in the inner city, the average length of stay is 6 to 12 months. According to the assessment the average income was R1500 to R 2000 per month. This would seem to suggest that the apartments are occupied by mainly low income people. There are however a few flats that cater for the upper middle to medium income people.

Table 2 reveals that 60% of all occupations in this area were students, or single working people. My observations made during a site visit are that many people living in this area are not from the greater Durban area but from towns outside Kwazulu-Natal. It was also noticed that due to the high demand in flats tenants were illegally sharing and subletting their apartments. In some cases there were up to six people living in a bachelor flat.

### **6.4. Conclusion**

This chapter has explored the case study- Hawaii apartments. From the above it can be noticed that the Hawaii apartments is a good place to live in. It is close to all amenities as will be show in the next chapter. The place clean and neat, and people enjoy living there. There are a few bad elements which could be sorted out to make the area a better place

to live in.

The following chapter will look at the research analysis and findings of the residential survey that was undertaken with the residents of the Hawaii Apartments.

**Table 2: Market Assessment of Flats surrounding Hawaii Apartments**

	Seapark	Crown Point	Pen Lee	Dolphin Court	Ottawa Court	Chelsea Court	Fairhaven	Bencorrium
No. of flats	68	60	36	70	54	60	60	10
1 bedroom 2 bedroom other		24 36(3 bedrooms)	6 30(batch)	70	54(batch)	60(batch)	60	10
Size of unit in m <sup>2</sup>	42 to 75	60 to 75	35 to 42	72	46	48	79 to 90	80
Rental "R"	800 to 1200	1400 to 1700	750 to 920	1400	1150 to 1300	1000 to 1150	1500	1850
Annual escalation	10%	8 to 10%	8%	10%	5 to 8%	8%	5 to 10%	10%
Vacancies	No	no	no	no	no	no	no	no
Waiting list	No	yes	yes	yes	yes	yes	yes	yes
Parking	few	no	no	no	no	no	0.043055556	1
Charge	R150	---	----	no	no	no	70	70 to 100
Demand for parking	yes	---	yes	yes	yes	yes	yes	yes
Average Income		1500 to 2500	---	2000	1500 to 2500	1500 to 2500	1500 to 2500	2000 to 3000
Subletting allowed	no	no	no	no	no	no	no	no
Average length of tenancies	6 to 12 months	6 months	6 months	6 months	6 months	6 months	6 months	-

(Source : First Metro Housing Company, 1998).

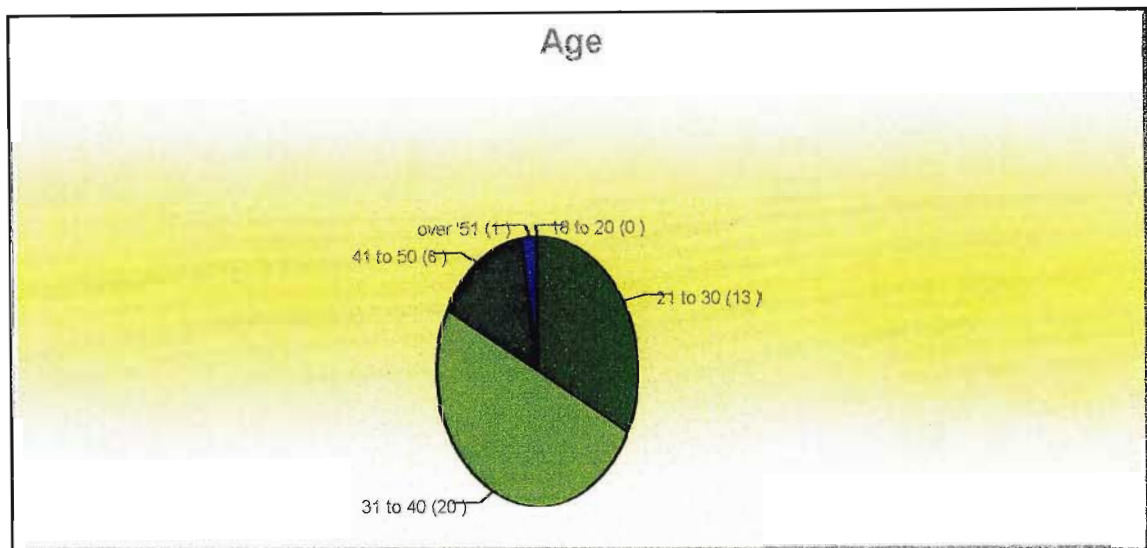
## Chapter Seven: Research analysis and Findings

### 7.1 Introduction

The discussion contained in this chapter is based on the summaries of responses that were obtained from questionnaires administered to 40 households of the Hawaii Apartments. This findings will be used as an attempt to answer the research question (ie. *Does inner city social housing provide an accessible and affordable means of housing to lower income earners, in the South African context?*), using the responses from the survey. The analysis will follow the format of the questionnaire (see annexure 1).

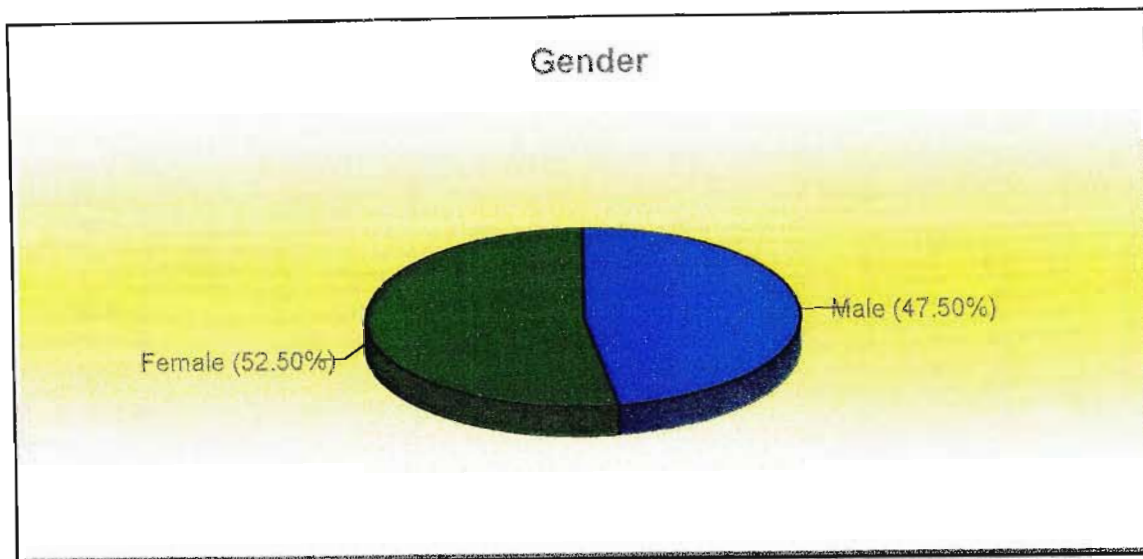
### 7.2 Research Analysis

#### 7.2.1 Graph 1 : Age Category



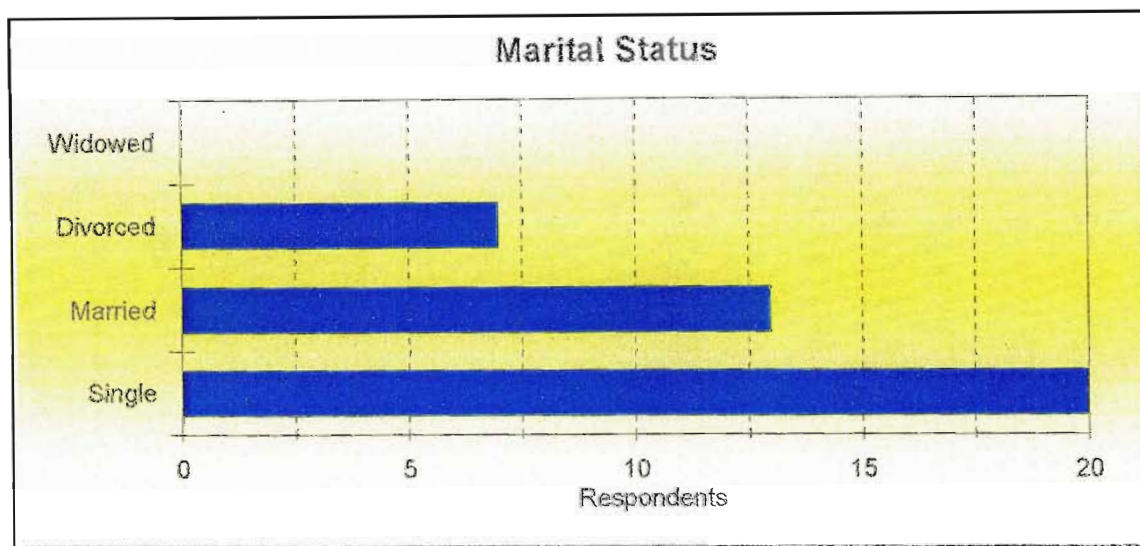
Graph 1 above shows us that 20 respondents(50%) were in the age category 31 to 40, followed by 13 respondents (32%) in the 21 to 30 category, 6 respondents (15%) were in the 41 to 50 category, and 1 respondent (2.5%) was in the over 51 category. No respondents fell in the 18 to 20 age category. There are no respondents in the 18 to 20 category as it is a requirement of the Provincial Housing Development Board(PHDB) that beneficiaries have to be 21 years and older to qualify for a housing subsidy. It is very significant to note that there were so few in the over 51 age category. This is related to the stage of lifestyle, where more old people are retiring to villages in the outlying areas(ie. Umhlanga, etc) and avoiding the city.

### 7.2.2 Graph 2 : Gender



Graph 2 shows us that 21 respondents (52.5%) were female, and 19 respondents (47.5%) were male. This illustrates that the PHDB subsidy policy is being adhered to and that females who were disadvantaged from getting subsidies are now benefitting. This is a true reflection of the composition of the Hawaii Apartments.

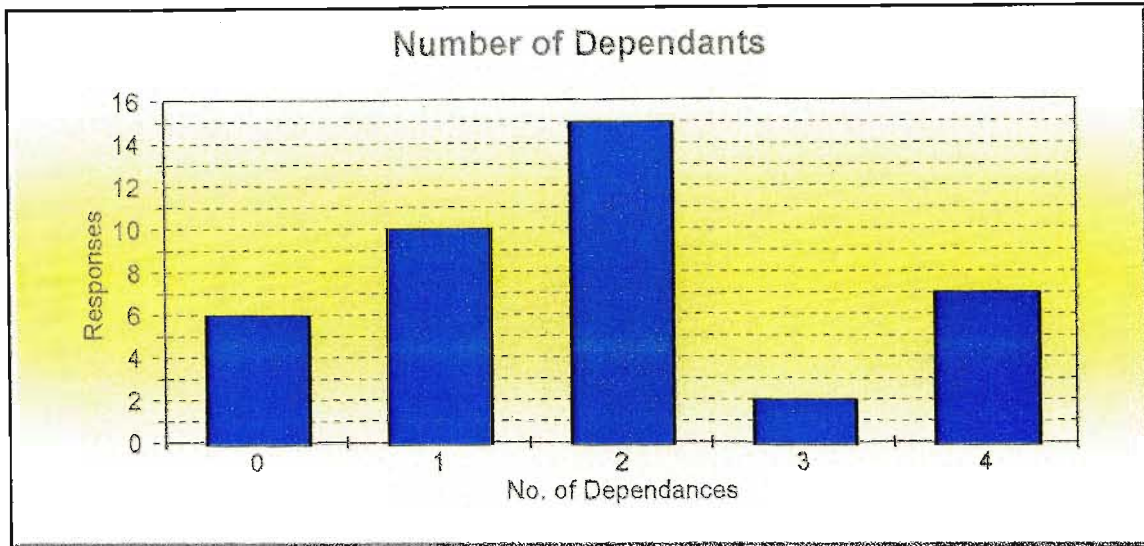
### 7.2.3.1 Graph 3 : Marital Status



All the respondents were asked their marital status. Graph 3 above reveals that 20 respondents (50%) indicated that they were single. 13 respondents (32,5%) indicated they were married and 7 respondents (15,5%) indicated they were divorced. This graph suggest that all people were given an equal chance of living at Hawaii Apartment, and no

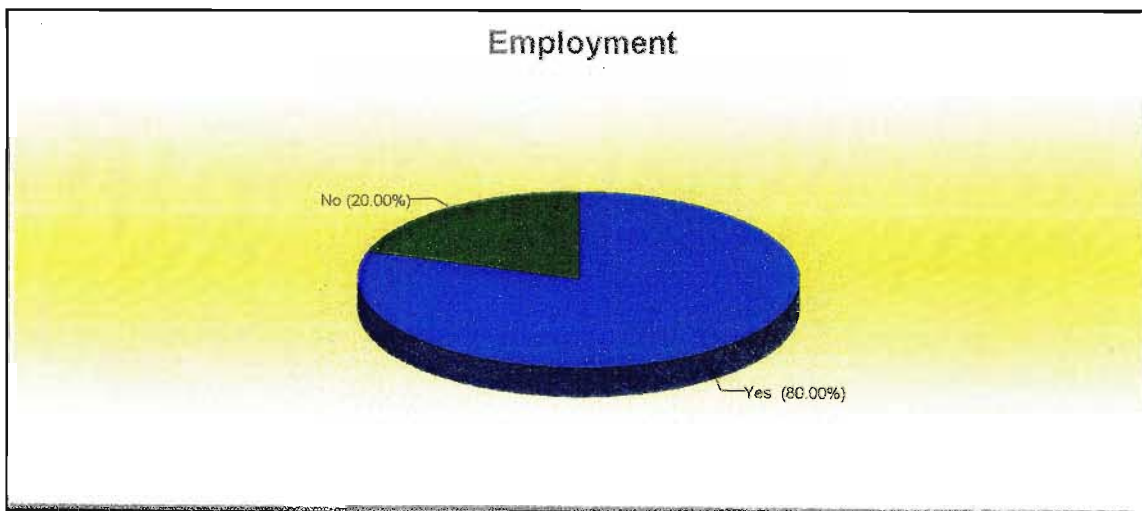
one was victimised by their status.

### 7.2.3.2 Graph 4 : Number of dependants



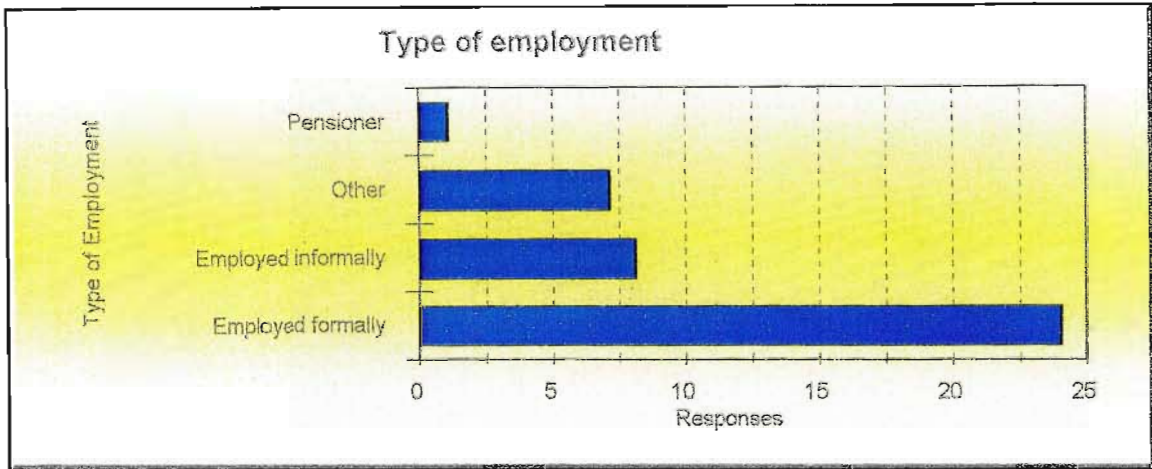
All respondents were asked how many dependants were living with them. Graph 4 reveals that, 15 respondents (32,5%) indicated that they had 2 dependants, 10 respondents (25%) indicated that they had 1 dependant, 7 respondents (17,5%) indicated that they had 4 dependants, 6 respondents (15%) indicated that they had no dependants, 2 respondent (5%) indicated he/she had 3 dependants. From the above two graphs it can be concluded that single people, majority of them females, qualify for a subsidy and have been given the opportunity to own a home.

### 7.2.4.1 Graph 5 : Employment



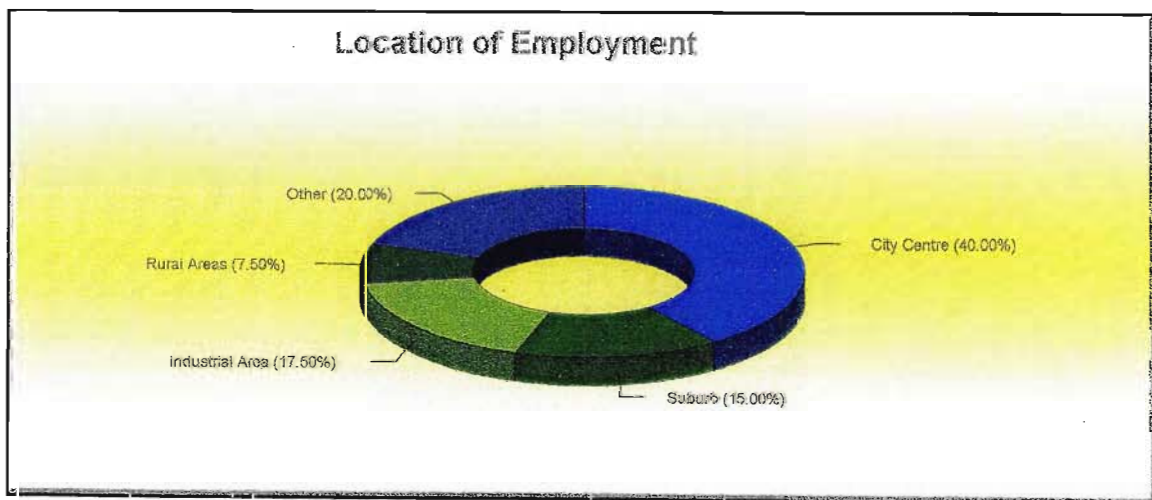
All respondents were asked if they were employed. Graph 5 above indicates that 32 respondents (80%) were employed, and 8 respondents (20%) were unemployed.

**7.2.4.2 Graph 6 : Type of Employment**



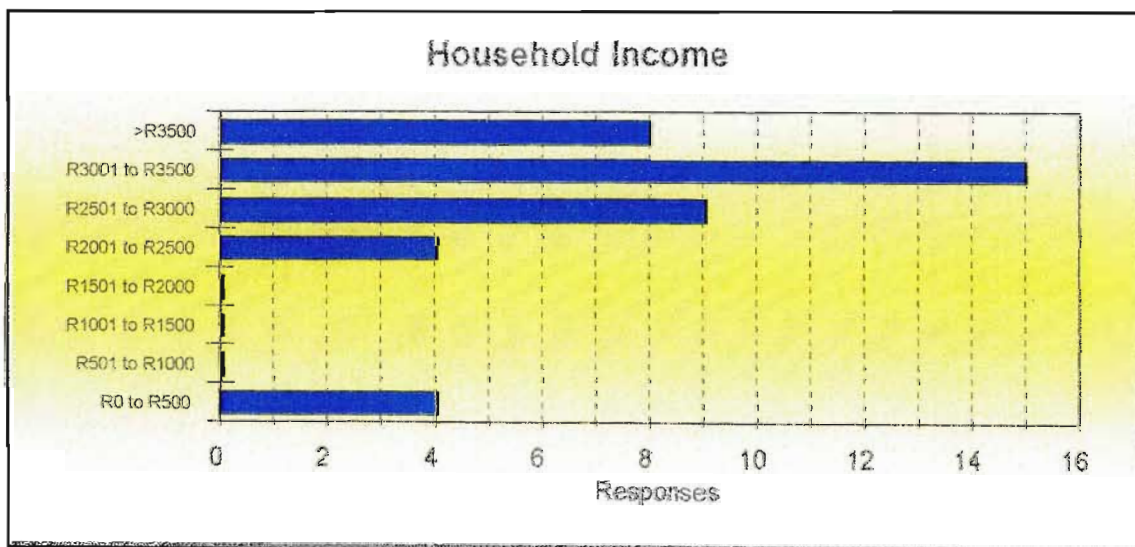
Graph 6 is related to graph 5 above as it indicated whether the respondents are employed formally or informally. From graph 6, 24 respondents (60%) indicated that they were formally employed, 8 respondents (20%) indicated that they were employed informally, 7 respondents (17,5%) indicated other and it will be concluded that these 7 have indicated in graph 5 that they were unemployed. 1 respondent (2,5%) indicated that he/she was a pensioner.

**7.2.5 Graph 7 : Location of Employment**



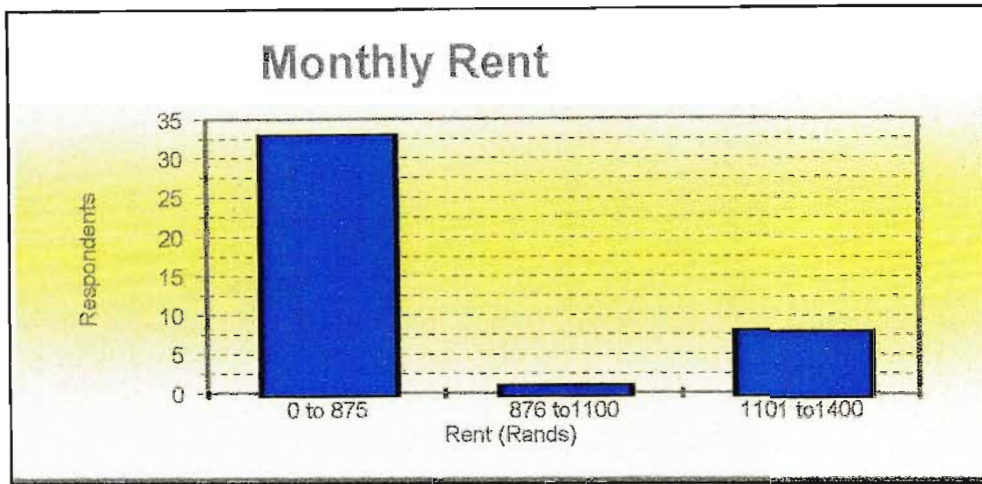
All respondents were asked the location of their employment. Graph 7 indicates that 16 respondents (40%) indicated that they were employed in the city center, 5 respondents (12,5%) indicated other, this percentage being the employed respondents. 7 respondents (17,5%) indicated that they were employed in industrial areas, and from interviews with some of the respondents, they indicated that they were either employed in Moberni/Jacobs/Umbilo industrial area, or the Springfield Park industrial area. 6 respondents (15%) indicated that they were employed in the outlying suburb (ie. Chatsworth and Phoenix) and 6 respondents (15%) indicated that they were employed in the rural areas.

#### 8.7.2.6 Graph 8 : Household Income



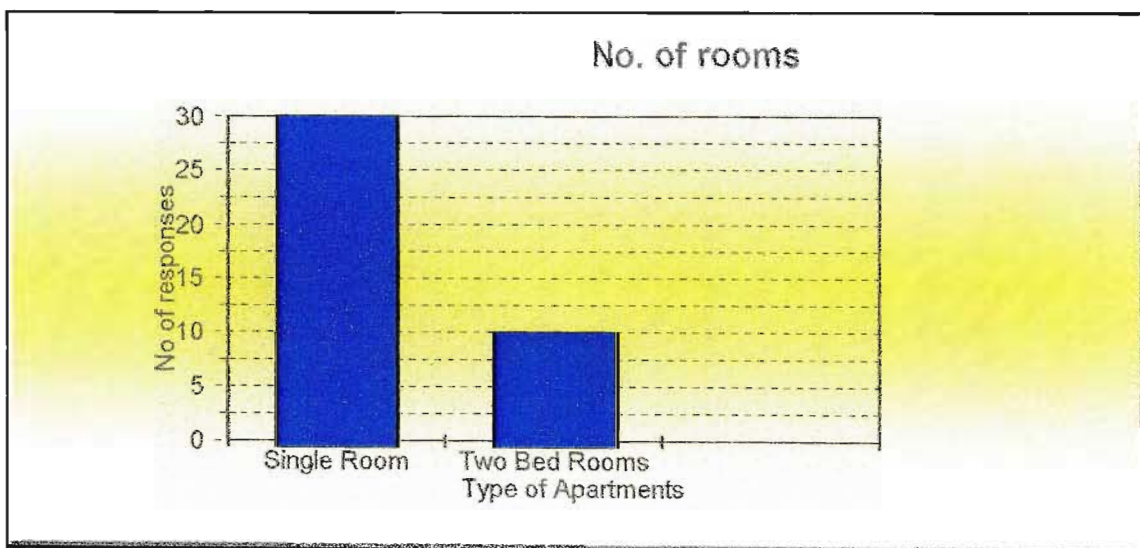
All respondents were asked what their total household income was. 4 respondents (10%) indicated that their household income was between R0 to R500. 4 respondents (10%) indicated that their household income was between R2000 and R2500, 9 respondents (22,5%) indicated their household income was between R2500 and R3000, 15 respondents (33,5%) indicated their household income was between R3000 and R3500, and 8 respondents (26%) indicated their household income was above R3500. All respondents have indicated that they earn some income so as to pay their rents. It will be shown later how important household income is.

### 7.2.7 Graph 9: Monthly Rent



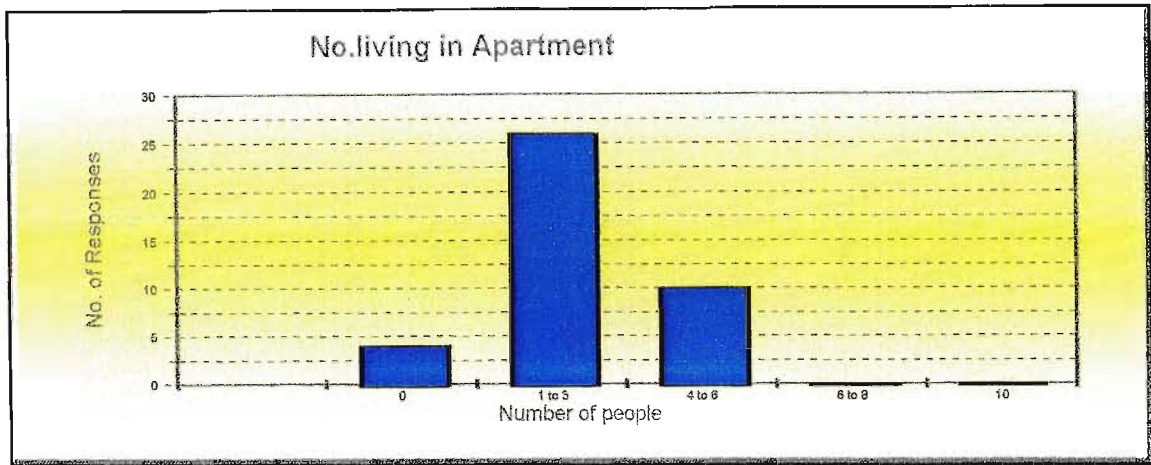
Graph 9 above indicates the monthly rent being paid by the respondents. 33 respondents (82,5%) indicated that they were paying R875 a month, 8 respondents (20%) indicated they paid R1400, this is because these are two bed room apartments or because they are sea facing. 1 respondent (2,5%) indicated he/she was paying R1100, for a 2 bed room apartments.

### 7.2.8 Graph 10: Number of Rooms in the Apartment



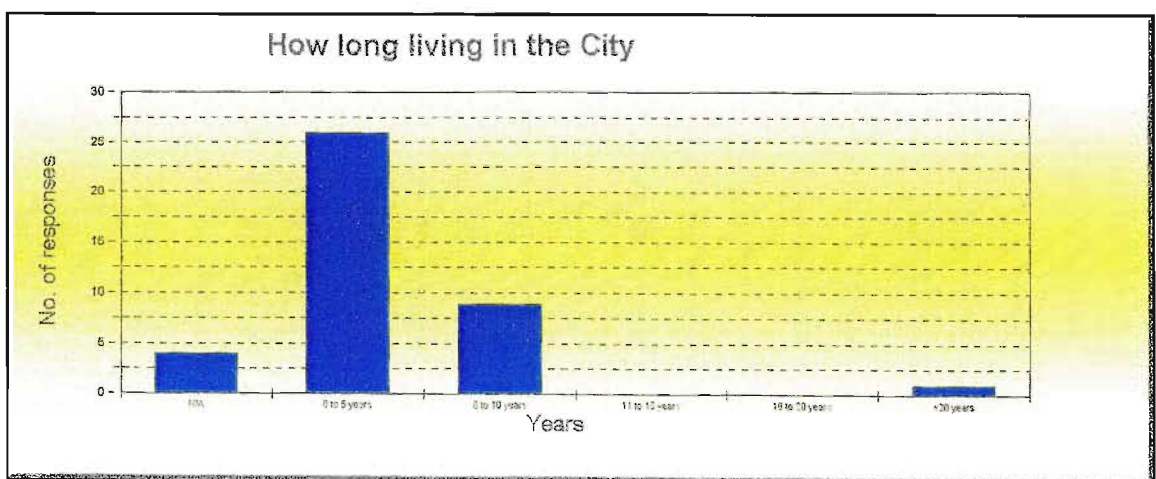
Graph 10 indicates how many rooms each respondent has in their apartment. 30 respondents (75%) indicated that they had a single room, and 10 respondents (25%) indicated they had a two bedroom apartments (See diagram 2 and 3 for layout of apartments).

**7.2.9 Graph 11 : Number of people living in their apartment.**



Graph 11 indicates the number of people living in each apartment. 4 respondents (10%) indicated that they lived alone. 26 respondents (65%) indicated that they had between 1 to 3 persons living in their apartment. It can be concluded that most of these people live in single room apartments, if you look at the above graph. 10 respondents (25%) indicated that they had between 4 to 6 people living in their apartment. There were no respondent that had more than 6 people living in an apartment.

**7.2.10 Graph 12 : How many years living in the city**



Graph 12 indicates the number of years respondents were living in the city. 4 respondents (10%) did not answer this question. There was no reason given for them not answering

this question. 26 respondents (65%) indicated that they have lived in the city between 0 and 5 years. Nine respondents (22,5%) indicated that they have lived in the city between 6 to 10 years, and 1 respondent (2,5%) indicated that they lived in the city for over than 20 years.

**7.2.11.** The respondents were asked why they choose to live in this area.

The answers that scored the most were the following:

- Centrally located.  
A few respondents(18) said that this area was centrally located, and met all their needs.
- Close to facilities; ie: shopping, schools, hospital.  
Most of the respondents(35) said that this area was close to all major facilities, ie: close to schools for their children, shopping centers, and some people said it was close to the hospital as they were patients that had to get treatment frequently.
- Close to work areas.  
Majority of respondents said that it was close to their place of employment.
- Transport cost.  
A few respondents(20) said it had saved them on the cost of transport as they were employed in the city center.
- Cheap rents.  
Almost all the respondents (38) said this area had cheap rents that they would be able to afford.

**7.2.12** The respondents were asked how long they waited for these apartments.

Most of the respondents said that they waited between 1 to 3 month for the flats. Some of the respondents waited up to 5 months, due to them awaiting clearance from the PHDB. Some of them had to prove that they earned a salary and were able to afford the monthly rents.

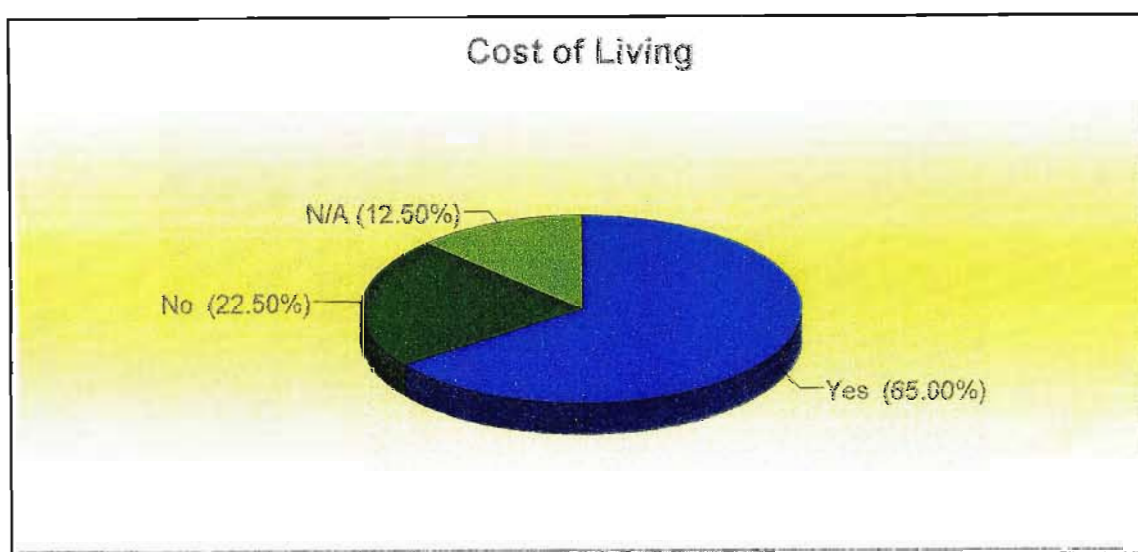
**7.2.13** The respondents were asked how they came to know about the apartment.

The answers that scored the highest were :

- Informed by a friend/relative  
Most of the respondents were informed by a friend or relative who reside in the area.

- Advertisement in newspaper  
Quite a few of the respondents had seen the advertisement in the local newspaper.
- Advertisement outside the building  
There were a few respondents that saw the advertisement outside the building, whilst some of the respondents were informed by people who had seen the advertisement when passing the building.

#### 7.2.14 Graph 13 : Cost of Living



All respondents were asked if the cost of living in the inner city differed from where they previously lived. Graph 13, shows that 26 respondents (65%) indicated that their costs had changed, ie. They now pay more or less. Reasons given were:-

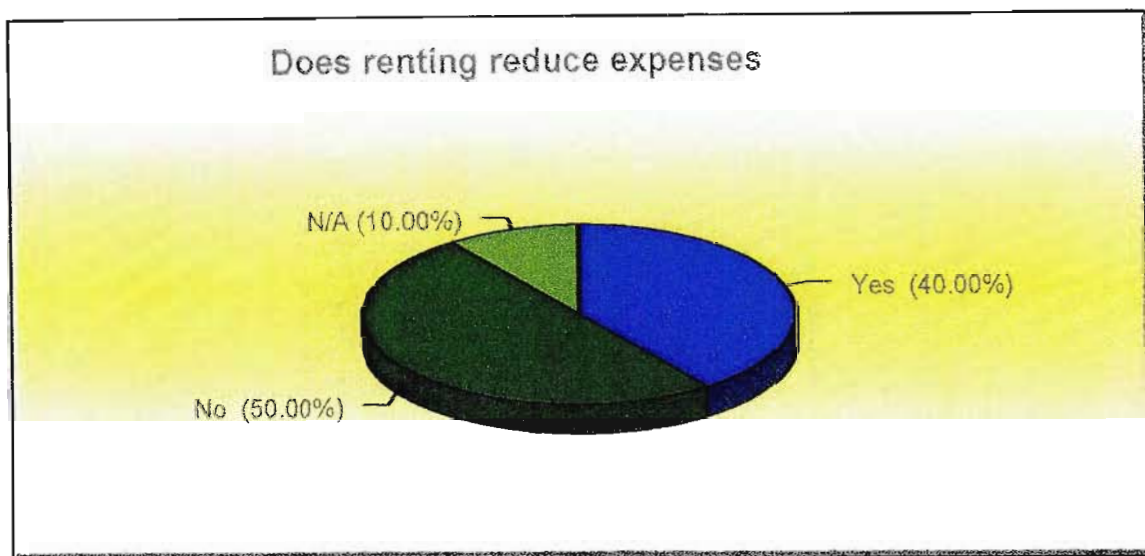
- Less costs for transport, as employment places and schools are nearby.
- Some indicated that the rents are cheaper compared to where they stayed previously.
- Some indicated that expenses are higher, some of them lived with parents and never contributed, and now they have to pay for lights, water, rents etc, pushing up expenses.
- Some indicated that they are paying a higher rent but the environment and the area is good and they are now closer to all amenities.

Nine respondents (22,5%) indicated that the cost of living has not changed, or has changed a little, from where they lived previously, the following were some of the reasons:

- Respondents said nothing had changed as they were living in the city previously;
- Some respondents say there is not much change as they pay almost the same rent as before.

Five respondents (12,5% ) did not answer the question.

#### 7.2.15 Graph 14 : Rental reduce expenses



The respondents were asked if renting reduced their housing expenses. Graph 14 indicates that, 20 respondents (50%) indicated that rental did reduce their expenses.

The reasons are as follows:

- Some respondents said the rents are cheaper than where they were and now have a saving and extra money to spend elsewhere.
- With the low rents they are able to afford more.
- Some said they do not pay extra for maintenance, and have more money in their pocket to spend.
- Other said that they do not pay for a bond, and definitely have a cost saving by renting.

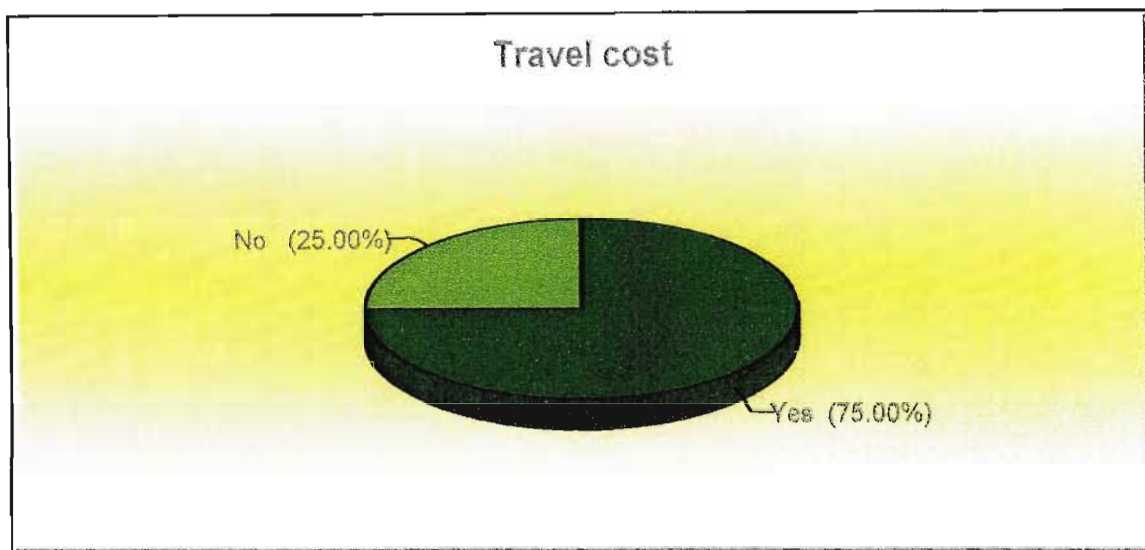
Sixteen respondents (40%) indicated that renting does not reduce their expenses. The reasons that scored the highest are:-

- Respondents believe that because the apartments are situated close to the beach front, rents are higher than anywhere else in the city center.
- Most of the respondents state it would be better owning their own home and

- would definitely have a saving
- Some respondents said they are not subsidised, and therefore renting at the moment is not a saving.

Four respondents (10%) did not answer the question.

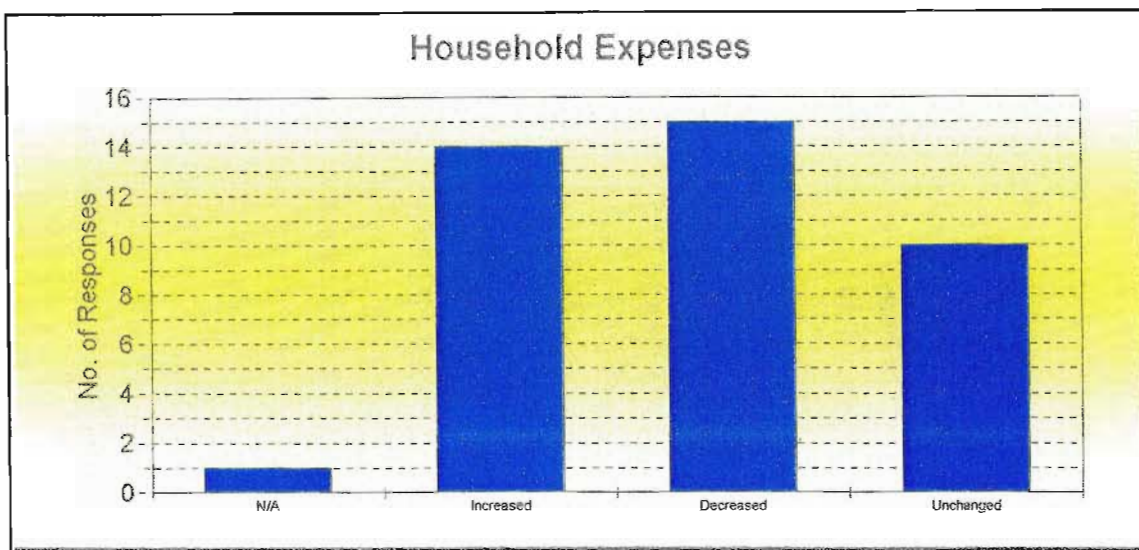
#### 7.2.16 Graph 15 : Travelling Costs



The respondents were asked if living in the city reduces their travelling cost. Graph 15 shows us that 30 respondents (90%) said yes. If one looks at the graph 14 above many of the respondents did say that travelling was a cost saving as they were employed in the city center and many of them would be able to walk or pay a small proportion on travelling.

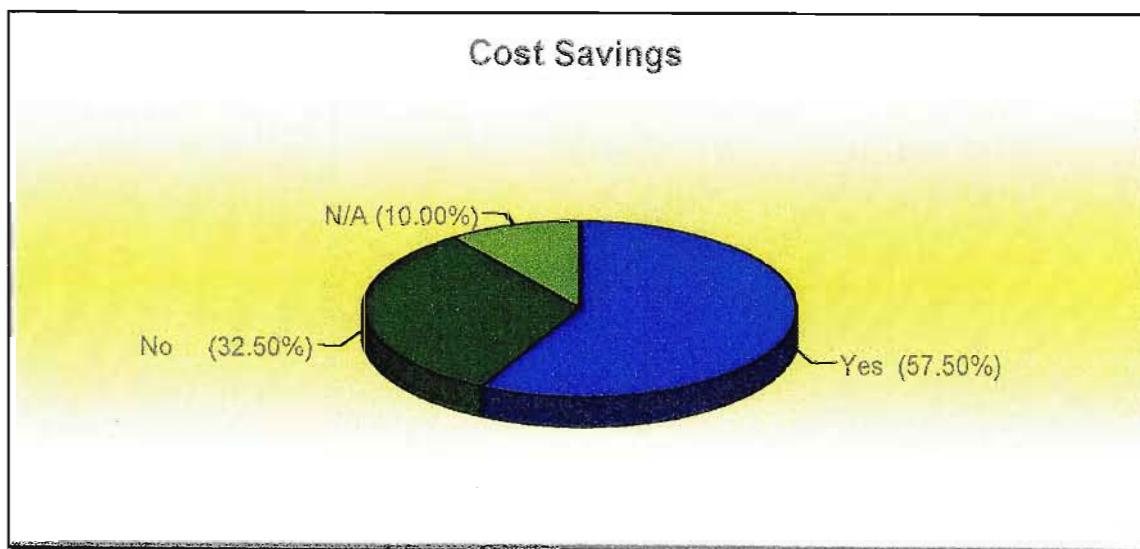
Ten respondents (25%) said no, as they have been living in the city and have found no cost savings with regards to travelling.

### 7.2.17 Graph 16 : Cost saving living in the city



The respondents were asked if living in the city was a cost saving compared to where they lived previously. 23 respondents (57,5%) indicated that it was a cost saving, as they did not have to travel a long way and it was cheaper, this issue has been illustrated previously in graph 15. 13 respondents (32,5%) said no as they have not found any saving or they have always lived in the city center. 4 respondents (10%) did not answer the question.

### 7.2.18 Graph 17: Housing expenses



The respondents were asked " In your opinion has your housing expenses changed since moving into the inner city?" 15 respondents (37,5%) said that since moving to the inner

city their expenses had decreased. Some of the reasons have been dealt with above. 14 respondents (35%) said that since moving to the inner city their expenses have increased, this could have been due to the extra rent that they had to pay. 10 respondents (25%) indicated that their expenses have not changed. 1 respondent (2,5%) did not answer the question.

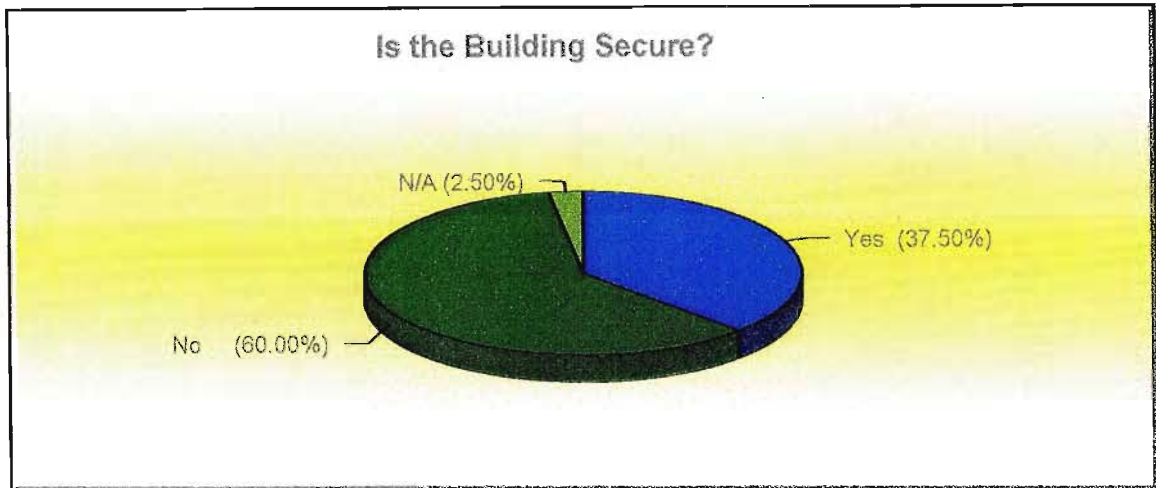
**7.2.19** The respondent were asked “ How has your housing changed your access to economic opportunities?”

- Many of the respondents said they are now closer to all amenities, such as shopping center, church, schools, and living here has made their lives easier, everything is convenient.
- Some respondents said because they are closer to work, they have more time to spend on other things and not travelling.
- Respondents say it is cheaper to move around the city, as it costs R1.00, to catch the bus.

**7.2.20** The respondents were asked “What was the condition of their building?”

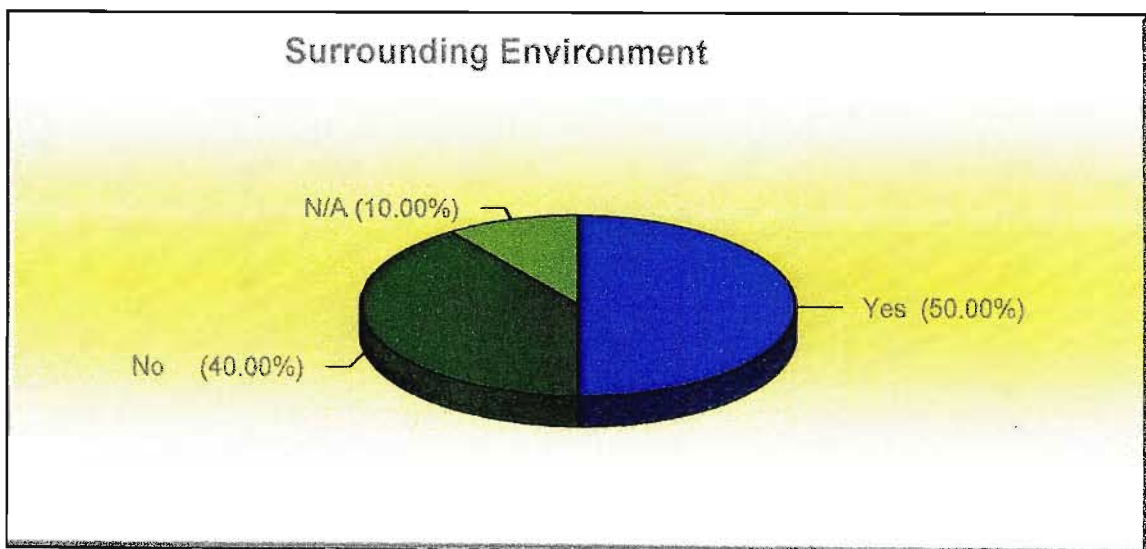
There were mixed responses from the respondents. Some of them have no problems with the apartment, as it suits their needs. Others said it is satisfactory, but there were problem areas that were raised, most relating to security. People felt that there should be tighter security for their apartments. The security gates are not sufficient, as criminals can force their way into any apartment. Other said that doors and windows leaked when it rained. There were concerns that there was no control in terms of privacy and some tenants had no respect for their neighbours.

**7.2.21 Graph 18 : Security in the building**



The respondents were asked "living at Hawaii Apartments was the building secure for them?". 15 respondents (37,5%) said that the building was secure, as there was a security guard present all the time. 24 respondents (60%) said that the building was not secure. Although there was some kind of controlled access into the building unwanted people were still entering. "There needs to be an intercom system that would provide tighter access" quite a few of the respondents said. "The only time you get to see the unexpected visitor is when you open your door", said a few of the respondents. 1 respondent (2,5%) did not respond to the question.

**7.2.22. Graph 19: Surrounding Environment**



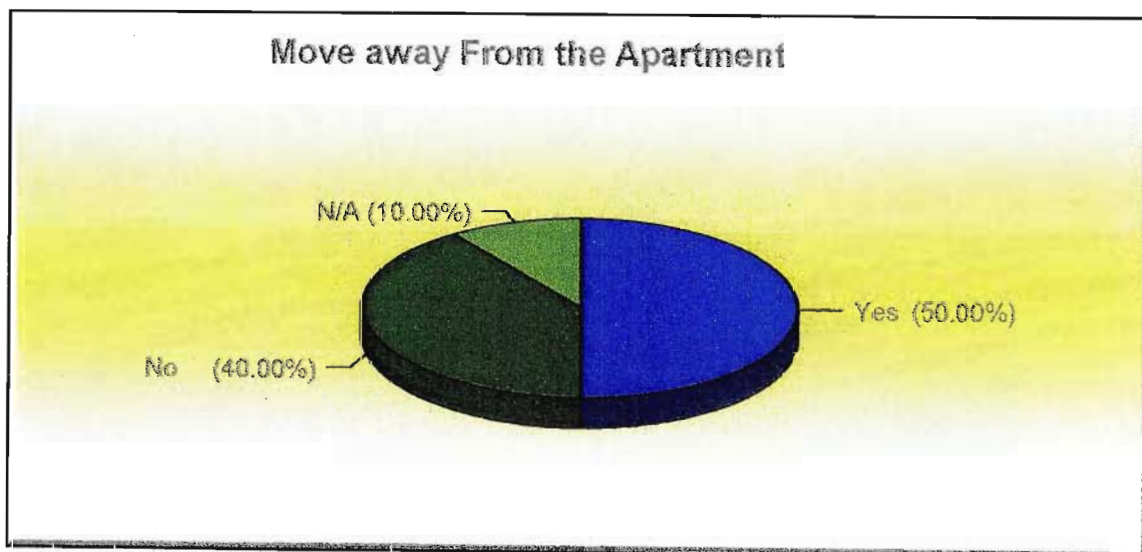
The respondents were asked "Is the surrounding environment they live in safe?" 20 respondents (50%) said that the surrounding area is safe. Most of the respondents stated that there is a police station down the road and patrol vans go up and down which makes the area safe. Others say it is safe, but not 100% as there will always be criminal activity, in this area known as the Point.

Sixteen respondents (40%) say the surrounding area is not safe. Due to a night club being in between the apartment buildings. There is a lot of noise, drunkenness, shooting, no one can be safe day or night. There are many vagrants and street kids around, they are the ones that cause all the trouble, said some of the respondents. Some of the respondents said this area was known for prostitution and drugs, and that makes the area bad.

Four respondents(10%) did not answer the question.

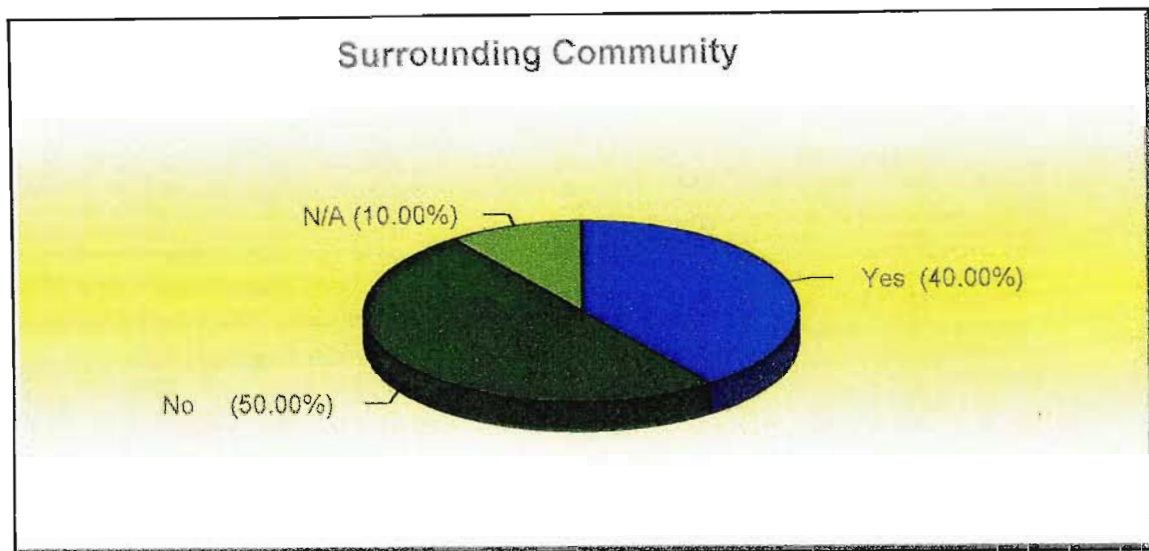
**7.2.23** The respondents were asked "Do the apartments they are presently living in provide facilities for their children?" All of the respondents indicated that there were no facilities for their children. They however said that there were public play grounds nearby, but it is very dangerous, and they cannot supervise their children in the playground. The children also have to cross a busy intersection to get to the playground.

**7.2.24. Graph 20 : Moving out of Flat**



The respondents were asked "Would they move out of the apartment?" 20 respondents (50%) said yes, because of the bad elements in the area, the night club and there is no security. The respondents stated they would stay on until they found accommodation cheaper. 16 respondents (40%) said no, they would not leave the apartments, as they did not have anywhere else to go, and the rents here were very reasonable which they would not find anywhere else. 4 respondents (10%) did not answer the question.

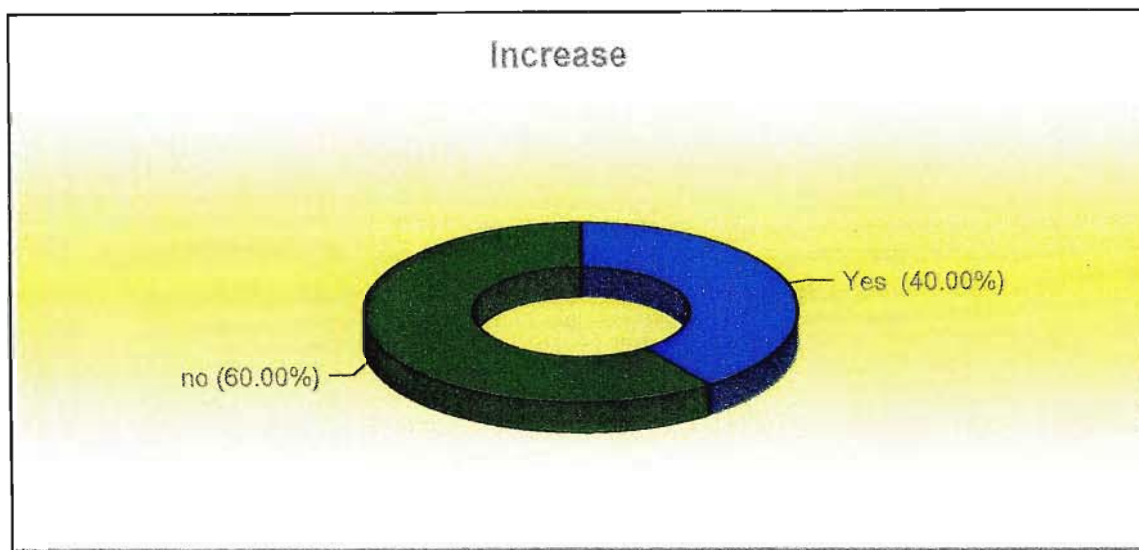
**7.2.25. Graph 21 : Interaction with surrounding Community**



The respondents were asked if they interacted with the surrounding community. Graph 21 indicates that 20 respondents (50%) do not interact with the surrounding community. The reason that everyone gave was similar to above questions, revolving around the safety of the area, and people not being friendly, and there were many criminal elements around. 16 respondents (40%) said yes, they do interact with the surrounding community. Many said they meet people when they attend meetings, or friends at the pub. 4 respondents (10%) did not answer the question.

**7.2.26** The respondents were asked "Have they seen any major crime in the area" The responses here were yes and no. Those respondents that said no (37%) do not go out too often, and have not seen any major crime in the area, however, a few did say they have heard from others living in the flat, about the crime in the area. The respondents that said yes (62,5%), have witnessed crime taking place, just outside their building. This was mainly due to the nightclub which was previously mentioned, as the root cause of the problem in the immediate area.

### 7.2.27. Graph 22: Rent Increase



The respondents were asked “If the rent were to increase would they be able to afford it? Twenty four respondents (60%) indicated that they would not be able to afford the rent because:-

- They earned a very low income;
- The rent they are paying is quite high at the moment, and any increase would leave them without any money to buy food; and
- The reason they are living at Hawaii Apartments is the low rent.

Sixteen respondents (40%) said they will afford the increase because:

- It is a reasonable amount;
- Some said they earn a good salary and will be able to afford the increase; and
- Some said it’s a way of life, and they have to live with it, and will find some way of paying the increase.

### 7.3 Findings from the residential survey

- **Monthly rents are affordable as compared to private rental stock**

90% of the respondents have indicated that their monthly rents are affordable to them, the remaining 10% have not experienced any changes. Many said that the only reason they are at Hawaii Apartments is because of the affordable rents. According to the market research in chapter 6, Hawaii Apartments was one of the buildings with the lowest rentals, as compared to other flats in the South Beach

area. It can then be concluded from the above that social housing, (ie Hawaii Apartments) is affordable in terms of rent to low income people.

- **Rental in the inner city reduces household expenses**

Many people confirmed with the low monthly rentals, they have extra money to spend on other items. People have a saving each month. Those that earn a very low salary are able to afford the rents and buy food for their families.

- **Cost of living in the inner city is less than living outside the inner city**

Most of the respondents said that the cost of living in the inner city, is cheaper than living outside the inner city. They now do not have to travel long distances as they are employed in the city, therefore spending less on bus and taxi fares which adds up at the end of the month. Many said they save a lot of time (ie. almost 2 hours a day), which earns them money. When they were outside the inner city they used to wait in long queues waiting for transport, which had cost them a lot. They spent almost 90 minutes everyday waiting for transport. They also had to travel into town and then take another taxi to their places of employment. Transport was a major problem, if it rained or if there were strikes.

- **Inner city social housing allows for convenience ie. close to all amenities**

Respondents say they don't have to go a long way to do their shopping, or take their children a long way to their schools as all amenities are close by in the inner city. The Hawaii Apartments is situated close to major shopping centres, schools, bus stops/taxi ranks, a big hospital and very close to major recreation areas, therefore having all major amenities very close by.

- **Women are given the opportunity to have secure tenure**

It has been noticed from the research that many women headed households were given the opportunity to have security of tenure for their apartments. It was strongly called for in the Housing Act that women should be given a chance to own their own homes. The case study has shown that this policy is being implemented effectively.

## 7.4 Findings from interviews and other sections of the research

- **Residents have the opportunity to have a say in their accommodation**

In chapter 6, the case study of the Seven Buildings Project, and the Hawaii Apartments the residents through their resident committees of the development had an opportunity to have a say on what goes on in their development or building. Each social housing development has a tenants committee elected from the tenants to run their building. However this has not worked in the Seven Buildings Project in Johannesburg, due to internal political reasons and will need to be reviewed by the social housing implementors.

- **Subsidy systems internationally are different to SA**

In chapter 5 it was noticed there is only a one time subsidy for housing in South Africa, for low income people, whereas in international countries there are a number of subsidy/grant schemes that are available to low income people. Internationally low income people qualify for benefits if they are employed or not employed. If you are not employed you get an allowance for not working, and if you don't have a house you get a grant for housing, and if you are employed you get a portion of a grant for housing.

- **Social housing is an important opportunity to achieve both the objectives of housing delivery and urban regeneration, within inner cities.**

From the international and local experiences, social housing is seen as an opportunity to achieve both objectives of housing delivery and urban regeneration, within inner cities. Looking at most inner cities in South Africa, there is on-going urban decay and **one** of the ways to improve the situation is to develop it, and there is no better way to do this than through Social Housing.

- **The funding framework for social housing in South Africa is still inappropriate and incomplete**

From chapter 5, it was noticed that public sector funding for social housing is available, but the structuring of these funding mechanisms is sometimes inappropriate, ie only if the association or institution is registered as a company, will they then qualify for subsidisation. There are a number of community organisations that are willing to assist communities but cannot. The institutional subsidy mechanism, in particular, requires adaptation, to assist the poor effectively. Sources

of bridging finance are limited, whilst sources of long term finance from the private sector are not forthcoming.

- **Social Housing Institutions**

Social housing institutions are still developing their expertise and the body of local social housing experience is still limited. Rent collection, arrears management and the process of eviction of defaulters are not always adequate, a finding made from the Seven Buildings Project.

- **Internal political problems sometimes undermine the viability and sustainability of social housing projects**

This was seen to be the biggest problem in the case study (Seven Buildings Project) in Johannesburg. As stated in chapter 6, projects need to be small and tenants should be educated to run their own buildings. There needs to be a system that will sort out the politics of tenants in social housing developments.

- **Local Government Legislation**

Local government has no mechanisms in place for monitoring the performance of the social housing sector, and for testing its contribution to the housing problems of inner city residents. This was an issue some of the professionals in the field had alluded to. The Housing Act is lacking in this area. There is some monitoring and performance testing in the other subsidies types, but not for social housing.

## **7.5 Conclusion**

This chapter has sought to get an understanding of respondents perceptions on social housing in the inner city. The main issues obtained out of this chapter was to find if social housing on the whole was affordable to low income residents. Many residents felt that living in the inner city was a cost saving and in turn affordable to them. It was also noticed that there were more single women headed households than male households headed. With regards to age, the majority of the respondents were between the age of 31 to 40. This would suggest that respondents with dependants were given a chance to have secure tenure.

It can be gathered from above that 80% of the respondents aged between 21 and 40 found that living at Hawaii was affordable to them. It was also noticed that the above age group would not move out although there was crime and bad elements in the area. Many of the

respondents said they would try and play a role in cleaning their area, to make it a safe and enjoyable environment.

The next chapter deals with the recommendations and conclusion.

## Chapter Eight : Recommendations and Conclusion

### 8.1 Introduction

This dissertation has brought light to many questions asked in the beginning of this research about social housing ie.:-

- What is social housing?
- Does inner city social housing provide an accessible and affordable means of housing to lower income earner, in the South African context?
- Who are the delivery agents? (ie. Public or Private)
- Types of housing provided and what tenure options are available?
- Is management of social housing the duty of the institution or the beneficiary?
- How successful are the existing social housing schemes in South Africa?
- What are the demands, constraints and opportunities, of this type of housing delivery?
- Are the products of social housing being accepted by the end user?
- What institutions are in place to monitor this type of housing delivery?

The above questions have been addressed in undertaking this research. It will be shown that social housing is affordable and accessible to low income earners. There was a lot that could be learnt from international and local experiences. This chapter concludes with the recommendations from the research.

### 8.2 Recommendations

Inner cities offer many positive assets which encourage stable residents to stay and lead the renaissance of the inner city, by developing social housing. Cities are under great pressure but there is real potential for repopulating inner city areas. From the international and local lessons the following recommendations can be put forward:-

- **Creation of a facilitative framework for social housing institutions**  
Apart from the regulation of social housing institutions, an appropriate legislative environment needs to be created for the facilitation of social housing delivery.
- **The need for ongoing regulation of housing institutions**  
There is a need to regulate housing institutions beyond the project completion stage. In terms of housing subsidy guidelines, preconditions for funding are determined and

the project phase is monitored. Government has an interest in ensuring that housing institutions will be successful in the medium to long term and that Government's investment by way of its subsidies will be protected. Because the social housing institution is financially at risk for an extended repayment period, there is an ongoing need for monitoring financial prudence and proper management. The Regulator needs powers of investigation, powers to require the submission of quarterly returns, the power to require information from auditors and mechanisms for intervention through mediation, arbitration or even curatorship.

- **Security of tenure**

South African legislation is weak on security of tenure and whilst the institutional subsidy guidelines introduce security of tenure in rental arrangements, international legislation would seem to have much more in terms of procedures to be complied with security of tenure. Disputes in respect of rental housing stock is addressed in Gauteng through the Residential Landlord Tenant Act which only applies to rental and not installment sale agreements. New legislation is needed to spell out clear objectives and guidelines.

The following are recommendations that can be put forward by the researcher based on the Hawaii Apartments research:-

- **More research and time**

This recommendation is based on the researcher's experience, i.e. more research needs to be conducted into this interesting and growing sector. New data gathering techniques need to be employed to gain better understanding of social housing internationally and in South Africa. More information is needed about the nature of social housing in the inner cities and the reasons for poor performance. It will also prove interesting to see any differences that may arise in applying social housing to other income brackets. The research should be undertaken over a longer duration of time, to yield better results.

- **Locally/ people based approach**

The Johannesburg case study has shown that social housing should be a locally/ people based approach. More Non Government Organisations' and housing institutions made up of residents should get involved in providing decent, good quality and affordable housing. This maybe covered by the social housing

foundation tool kits, which helps organisations to set up associations, however, there should be a manual for communities to do the same.

- **Regeneration programmes**

There is not much happening in inner cities in terms of regeneration. Development is done on an ad hoc basis, therefore it would be appropriate if some kind of regeneration programmes be implemented to fully develop the inner city. It should not be left only to the private sector to develop. The government, NGO's and public organisations should be involved in these types of projects. Housing projects would be more sustainable if all sectors contributed towards development. As mentioned in chapter 6 there is a need for public-private partnerships. Regeneration programmes could be used as part of local economic development initiatives.

- **Marketing social housing to a wide range of the population**

From international and local experience marketing social housing to a wide range of the population raises its value and increases the demand. Very few people who earn above R1500-00 are aware that they could get secure tenure via the social housing projects. The government should provide housing for the bracket below R1500-00, and it should be left up to housing associations/NGO's to provide housing for above R1500-00.

- **Social housing subsidised by government**

In chapter 5 the housing subsidy for social housing was visited, and was not favorable to the sector, it is recommended that the way social housing is subsidised by government ie. "capital and revenue" will need to be reviewed to achieve affordable rents and allow for proper investment in improving existing buildings and constructing new ones. Funding should address low levels of affordability. There should be more funding mechanisms available to social housing, and not just the institutional subsidy. The government should create a developer friendly environment with access to grant funding for start-up costs. The PHDB should increase subsidies for inner city social housing, due to the high costs in properties, and purchasing buildings. It is suggest by the researcher that subsidies be increased from R16 000 to R25 000, for qualifying beneficiaries. This figure would greatly assist in reducing the cost of loans from banks.

### 8.3. Conclusion

This research presents a series of developments that took place in the establishment of social housing, also looking at some of the lessons that could be usefully adopted by South Africa. In the pursuit of an ideal social housing environment, the recommendations above are by no means comprehensive, rather they respond to the existing situation in South Africa. The need for social housing in South Africa is perhaps best demonstrated by the good track record of existing growing social housing initiatives, as well as the momentum that has been developed in seeking a solution to inner city housing problems.

No other form of low income housing currently developed in South Africa has the same impact on inner city regeneration and racial integration, that social housing does. Social housing projects are currently the only form of low income housing initiatives operating in South African inner cities.

The experience of social housing initiatives to date suggests that social housing is not the answer to the entire housing backlog, but rather an additional housing and tenure option which should be made available to low income households. As such, its success as a delivery approach should not be judged by the number of units it provides, but rather the living and housing arrangements it provides on a highly contextual basis for low income earners.

Bearing the above in mind, it can be concluded that inner city social housing provides an accessible and affordable means of housing to the lower income earners in South Africa.

This researcher can also prove the hypothesis to be correct in that "social housing in the Durban inner city provides an alternative for accessible and affordable housings to low income earners.

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- [www.chi.org](http://www.chi.org) Chartered Institute of Housing(professional organisations for workers)
- [www.housing.org.uk](http://www.housing.org.uk) National Housing Federation of all UK Housing Associations
- [www.sagov.co.za](http://www.sagov.co.za) South African Government
- [www.infoxchange...hchome/iurch/paris](http://www.infoxchange...hchome/iurch/paris) Inner Urban Regional Housing Council
- [www.awl-he.com](http://www.awl-he.com) Social Housing - An Introduction
- [www.pluto.infomatik.uni-oldenberg](http://www.pluto.infomatik.uni-oldenberg) Social Housing a Better choice.

# **ANNEXURE ONE**

## **RESIDENTIAL QUESTIONNAIRE**

# Hawaii Apartments Residential Questionnaire

Flat No. \_\_\_\_\_

**Note:- Please tick the relevant boxes and fill in answers in the spaces provided. The information contained herein is confidential and not for publication.**

1. What age category do you fall within?

18 to 20	
21 to 30	
31 to 40	
41 to 50	
+51	

2. Gender

Male	
Female	

3. Marital status

Single	
Married	
Divorced	
Widowed	

Number of Dependents? .....

4. Are you employed?

1. Yes          2. No

Employed formally	
Employed informally	
Pensioner	

5. Where are you employed ?

City Centre	
Suburb	
Industrial area	
Rural Areas	
other	

6. What is the total gross income of your household?

R0 to R500	
R501 to R1000	
R1001 to R1500	
R1501 to R2000	
R2001 to R2500	
R2501 to R3000	
R3001 to R3500	
> R3500	

7. What is your monthly rental?.....

8. How many rooms do you have in your Apartment?

Single Room	
Two Bed Rooms	
More	

10 How many people including children live in your apartment?

1 to 3	
4 to 6	
6 to 8	
+10	

11. How long have you lived in the city centre?

0 to 5 years	
6 to 10 years	
11 to 15 years	
16 to 20 years	
+20 years	

12. Why did you choose to come and live in this area ?

.....

.....

.....

13. How long have you waited for a flat in this apartment?

.....  
.....  
.....

14. How did you know about these flats?

.....  
.....  
.....  
.....

15. Has the cost of living here differed from where you previously lived?

1. Yes                      2. No

Explain?

.....  
.....  
.....  
.....  
.....

16. Does rental housing reduce your housing expenses?

1. Yes                      2. No.

Explain

.....  
.....  
.....  
.....  
.....

17. Does living in the city reduce your traveling cost?

1. Yes                      2. No

if yes, by how much?

.....  
.....



22. Living at Hawaii apartments, is this building secure for you?

1. Yes                      2. No.

Explain?

.....

.....

.....

.....

.....

23. Is the surrounding environment/area you live in safe?

1. Yes                      2. No.

Explain

.....

.....

.....

.....

24. Does the location of the flats you are presently living in provide facilities for your children?

None	
Away from the flats	
nearby	
visible and secure area in flat	

25. Would you move out of this building?

1. Yes                      2. No.

Explain?

.....

.....

.....

.....

.....

Where would you go to?

.....  
.....

26. Do you interact with surrounding community?

1. Yes                      2. No

If yes, How

.....  
.....  
.....  
.....  
.....

26. Have you seen any Crime in the area? Explain

.....  
.....  
.....  
.....  
.....

27. If your rent were to increase will you be able to afford the increase?

1. Yes                      2. No

Explain

.....  
.....  
.....  
.....  
.....  
.....  
.....

**Summary of economic status**

Total Income	Rent	Household Expense	Other Expense	Total Expense	Amount Left Over.
R.....	R.....	R.....	R.....	R.....	R.....

*Thank you for your co-operation.*

## **ANNEXURE TWO**

### **EXECUTIVE SUMMARY OF FIRST METRO HOUSING BUSINESS PLAN**

# **FIRST METRO HOUSING COMPANY**

## **SECTION 1: EXECUTIVE SUMMARY**

### **5 YEAR BUSINESS PLAN**

**June 1998**

**Version: 0**

Prepared by: Davies Lynn and Partners (Pty) Ltd  
on behalf of Durban Metro Housing Unit

## **SECTION 1: EXECUTIVE SUMMARY**

This section comprises an Executive Summary of the Business Plan and makes reference to Sections 2 - 10 of the Business Plan.

### **FORMAT OF BUSINESS PLAN**

The Business Plan is set down in two books for ease of cross reference comprising:

Book 1 - The Business Plan;

Book 2 - The Financial Model supporting the Business Plan.

### **SECTION 2: BACKGROUND AND HISTORY**

In 1995 the Durban Metropolitan Council established a new service unit - the Metro Housing Unit and in order to develop well located medium density housing stock, mandated a "Shadow Board" of Councillors and Officials to establish a suitable housing company. Negotiations were entered into with the National Housing Finance Corporation to provide the long term Institutional Loans required. Key requirements of the NHFC in order for Institutional Loans to be provided include:

- Formation of the company with a suitably representative Board comprising:
  - 1/3 Metro, 1/3 Institutional and 1/3 wider Community representation with strong business skills;
- Appointment of a Chief Executive Officer for the company;
- Preparation of a Business Plan;
- Preparation of Operational Procedures.

Section 2 sets down the actions taken to date.

---

## **SECTION 3: OVERVIEW**

Section 3 provides an overview of the company including the:  
***Institutional Framework***: refer to Figure 3.1; and  
***Financial Framework***: refer to Figure 3.2.

## **SECTION 4: MISSION, OBJECTIVES AND GOALS**

### **Mission**

The First Metro Housing Company aims to:

- ☛ provide a **wide range** of **rental** and **rent to own** accommodation which is both:
  - ***affordable***; and
  - ***appropriate***to a **target market** of households earning between **R1 500,00** and **R3 500,00** per month;
- ☛ provide this accommodation at **suitable locations** throughout the Durban Metropolitan area;
- ☛ facilitate **home ownership** in the longer term for tenants who so desire by way of appropriate tenure options;
- ☛ **Expand** the **range** of accommodation provided once firmly established in order to also provide suitable accommodation for households earning **less than R1 500,00** per month.

### **Objectives**

The objectives in order to fulfil the mission of the First Metro Housing Company are detailed in Section 4 and include:

***target market***: minimum 80% of the accommodation will be for families earning less than R3 500,00/month who qualify for government subsidies.

**product type:** initially starter homes and apartments for people earning between R1 500,00 - R3 500,00 per month. In the longer term expanding the target market to include basic shelter for those earning between R800,00 - R1 500,00 per month.

**Tenure and Ownership:** rental and rent to own accommodation to be provided with at least 50% of accommodation sold to occupants after 4 years occupation.

**Company Type:** Section 21 non-profit company which is economically sustainable.

**Administration:** professional and efficient compact company structure delivering service excellence for clients i.e. the tenants.

**Tenant Participation:** to be incorporated by way of tenant representation with respect to decisions which affect tenants.

**Tenant Education and Capacity Building:** of tenants to be incorporated into the company operations.

**Partnerships:** to be formed with relevant agencies to achieve efficiency.

**Community Facilities:** to be facilitated by engaging with the relevant service providers.

**Job Creation:** to be facilitated by way of appropriate methods.

### Goals

In order to achieve the objectives of the company goals have been set as detailed in Section 4 including the following key goals.

Production Rate					
Year	1	2	3	4	5
Production Rate	160	480	580	690	840
Total	2750 Units				

Product Mix				
	Basic Shelter	Basic Shelter & Starter Homes	Starter Homes & Apartments	Homes & Apartments
Proportion	5%	5%	80%	10%
Target Income Group	less than R800	R800- R1500	R1500- R2500	R2500- R4500

**Tenure:** agreements prepared within 4 months;

**Client Identification:** commencing within 6 months;

**Company administration:** fully established within 5 months;

**Tenant participation:** to commence within 1 month of initial occupations;

**Tenant Education:** established within 7 months with training of initial tenants 1 month prior to occupation;

**Partnerships:** established within 5 months;

**Community Facilities:** engagement of service providers within 3 months of selection of projects;

**Job creation:** strategy and standard contract clauses to be established within 6 months.

---

## **SECTION 5: BOARD AND MANAGEMENT STRUCTURE**

Section 5 outlines the Board and Management Structure.

**Company Type:** non-profit Section 21 company.

**Company Constitution by 7 members representing:**

- Durban Metropolitan Council;
- Durban Metropolitan Housing Unit;
- National Housing Finance Corporation;
- Social Housing Foundation;
- Provincial Housing Board.

**Directors:** proposed (still to be confirmed):

- |   |   |
|---|---|
| Margaret Winter                                       | - Chair of Durban Metro Council EXCO              |
| Farouq Meer   | - Chair of Durban Metro Council Housing Committee |
| ** D. Smit  | - Executive Director Metro Housing Unit           |
| ** M. Turrel  | - Executive Director Corporate Financial          |
| T. Mthetwa  | - National Housing Finance Corporation            |
| * M. Godliman   | - Provincial Housing Board                        |
| B. Sikhakane  | - Civil Society Community Skills                  |
| N. Brink  | - Property Development/Business                   |
| D. Barnes   | - Property Development/Business                   |
| * Director proposed to be approved by MEC for Housing |   |
| ** or nominee <u>not</u> alternative                  |   |

### **Organisation Structure**

Refer to Figure 5.1.

## **SECTION 6: OPERATIONAL DETAILS**

Section 6 outlines the operational details including the following.

***Staffing Structure:*** comprising initially a skeleton staff growing with increase in production rate.

**Methodology for Setting Rents:** annually in advance with fixed interest rates negotiated annually in advance with the funders.

**Sale of Accommodation:** at least 50% of accommodation to be sold to tenants after 4 years occupation.

**Allocation Policy:** based on public advertising and selection on a first come first serve basis for qualifying applicants.

**Rent Collection:** preferably electronically by payroll deduction plus door-to-door collection.

**Default Management:** 3 months deposit required plus stringent default management strategy.

**Communications Strategy:** with tenants to be ongoing including monthly meetings, quarterly newsletters and special notifications in writing.

**Services to be Provided:** dependent on the project type. Wherever possible water and electricity services to be provided as individual connections.

**Repairs and Maintenance:** internal repairs responsibility of tenant and external repairs by the company, administered by the caretaker.

**Improvements:** External by company with approval by tenants and internal by tenants at their own cost. Improvements policy to be formulated.

**Inheritance and Succession:** for tenant's families to be facilitated.

**Company Administration:** includes detailed monthly reporting; centralised office filing; time recording to cost centres; cost control; procurement procedures; and payment authorisation.

---

## **SECTION 7: MARKET ASSESSMENT**

Section 7 details the housing need, effective housing demand, employment trend access to credit and demand for rental accommodation as summarised below:

- ***effective housing demand:*** within Durban Metropolitan Area approximately 209 000 units;
- ***employment trend*** - generally formal employment with regular incomes above R1 500,00 per month but informal with irregular below R1 500,00;
- ***access to conventional Mortgage Bond Finance:*** very limited and restricted to those earning between R2 500 - R3 500,00 per month;
- ***demand for rental accommodation:*** most households prefer to own their own homes but there is a demand for some rental stock assessed to be at least 10 500 units;
- ***accommodation type:*** demand is higher for individual housing units than apartments;
- ***tenure type:*** incorporating rental and rent to own tenure types will improve the market share.

## **SECTION 8: FINANCIAL INFORMATION**

Section 8 provides an outline of the financial model used (for details see Book 2). See Figure 8.1 for the Financial Summary.

### **Sensitivity Analysis**

Section 8 also includes an analysis of different sensitivities within the Financial Model.

## **SENSITIVITIES AND RISK MANAGEMENT**

Section 9 outlines the key issues to which the company will be sensitive and the associated risks and how those risks can be offset. Key sensitivities include the following:

***Overhead structure:*** to be minimised during the start-up period;

***Product Rate:*** must be maintained;

***Loan interest rate:*** comprises a major expenditure item and annual fixed interest rates are to be negotiated with the funders;

***Product mix:*** has an impact due to the ratio of overhead costs and must be maintained;

***Availability of Institutional Subsidies:*** is a key constraint to the company and initially due to lack of subsidies the first projects will need to be those which have already received subsidy funding approval;

***Long term Institutional Loans:*** are a critical factor and will need to be resourced for each project;

***Building Cost increases:*** will need to be contained by way of fixed price contracts;

***Rent boycotts:*** are a risk which will need to be managed;

***Unemployment:*** retrenchments comprises a major risk for which insurance cover will be taken;

***Vacancies:*** could pose a risk if wrong products are put on the market therefore correct identification of the right product at the right price at the right time is required;

***Default and Arrears Management:*** comprises a critical management strategy of the company;

***Project Acceptance by adjoining communities:*** poses a major risk to projects and needs to be carefully managed.

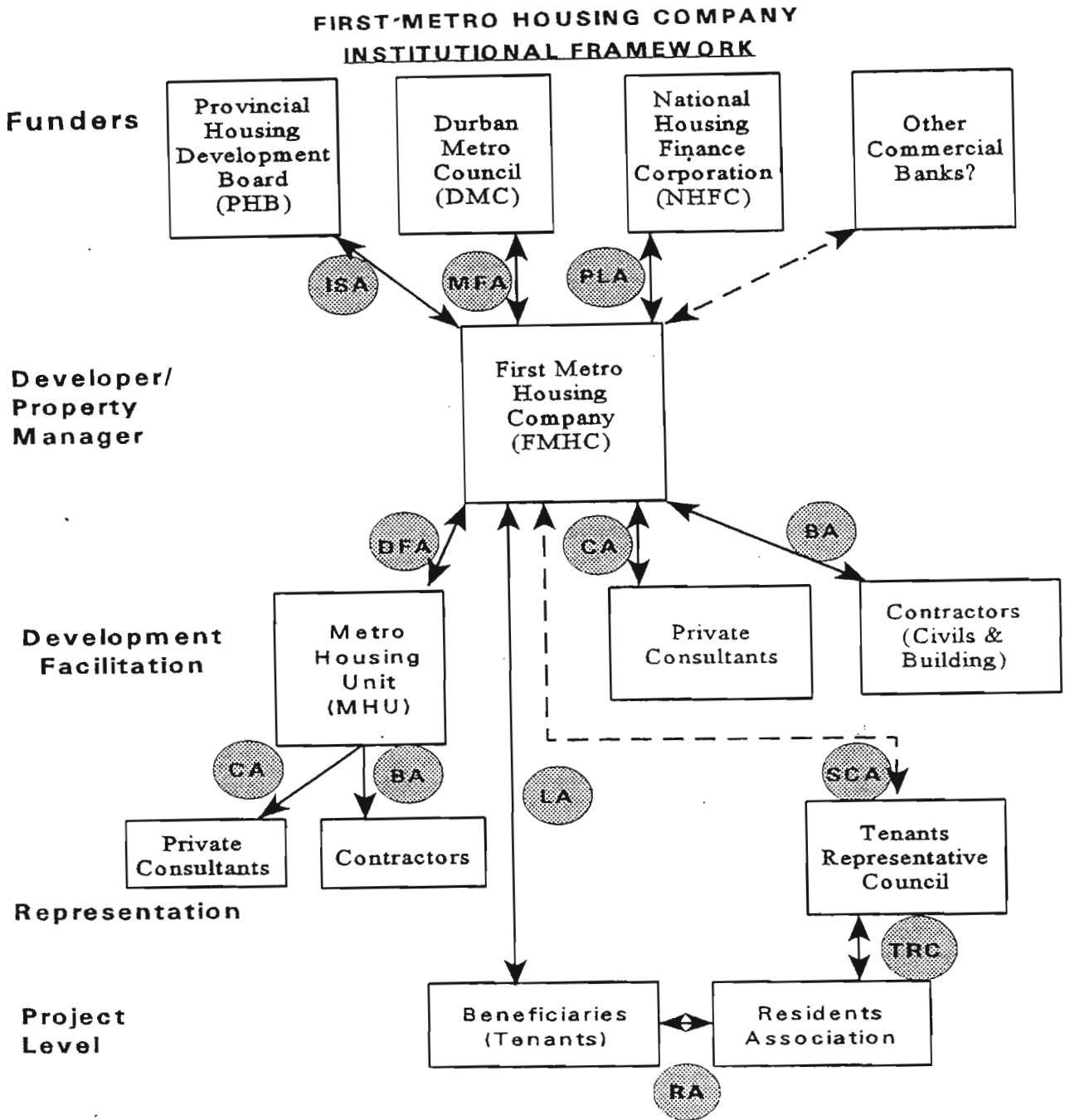
## **SECTION 10: IMPLEMENTATION PLAN**

Section 10 provides both a summary and a detailed implementation plan for the first two years. The summary programme is set down in Figure 10.1.

## **FIGURES**

### **ACCOMPANYING THE EXECUTIVE SUMMARY**

- |              |                               |
|--------------|-------------------------------|
| FIGURE 3.1:  | INSTITUTIONAL FRAMEWORK       |
| FIGURE 3.2:  | FINANCING FRAMEWORK           |
| FIGURE 5.1:  | ORGANISATIONAL STRUCTURE      |
| FIGURE 8.1:  | SUMMARY OF FINANCIAL ANALYSIS |
| FIGURE 10.1: | SUMMARY PROGRAMME             |



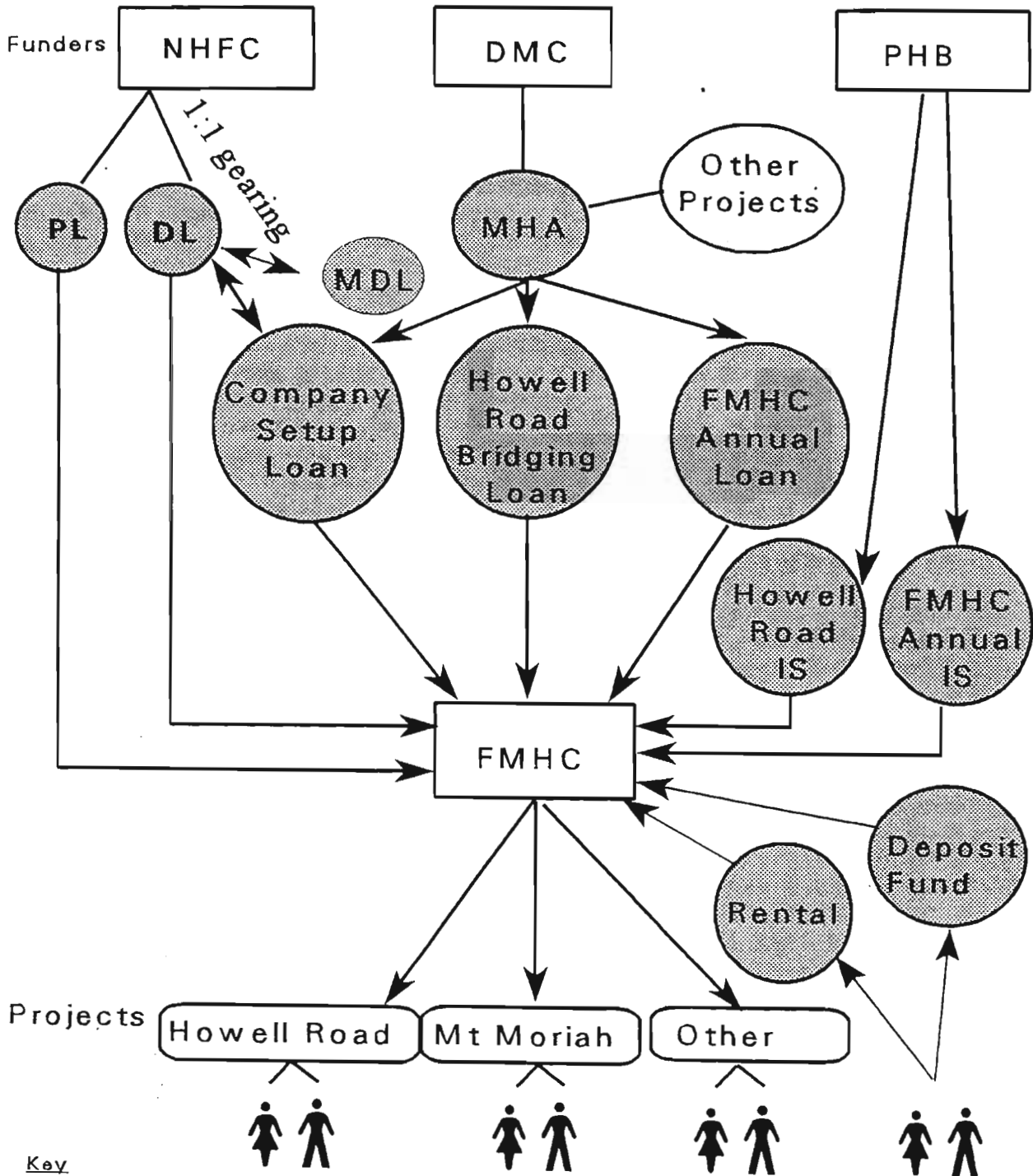
**Agreements**



- ISA - Institutional Subsidy Agreement
- MFA - Metro Funding Agreement
- PLA - Project Loan Agreement
- DFA - Development Facilitation Agreement
- CA - Consulting Agreement
- BA - Building Agreement
- SCA - Social Compact Agreement
- LA - Lease Agreement (Rental, Installment Sale, Rent to buy)
- RA - Residents Association Constitution
- TRC - Tenants Representative Council Constitution

**Figure 3.1**

## FIRST METRO HOUSING COMPANY FINANCING FRAMEWORK



- Key**
- DL - Development Loan: 10 years @ CPI + 3%
  - DMC - Durban Metro Council
  - PL - Institutional Loan: 20 years @ ± 17.22%
  - IS - Institutional Subsidies
  - MDL - Metro Development Loan
  - MHA - Metro Housing Account
  - NHFC - National Housing Finance Corporation
  - PHB - Provincial Housing Development Board
  - ↑ ↑ - Beneficiaries of Rental Stock (Tenants)

Figure 3.2

# FIRST METRO HOUSING COMPANY

## ORGANISATIONAL STRUCTURE

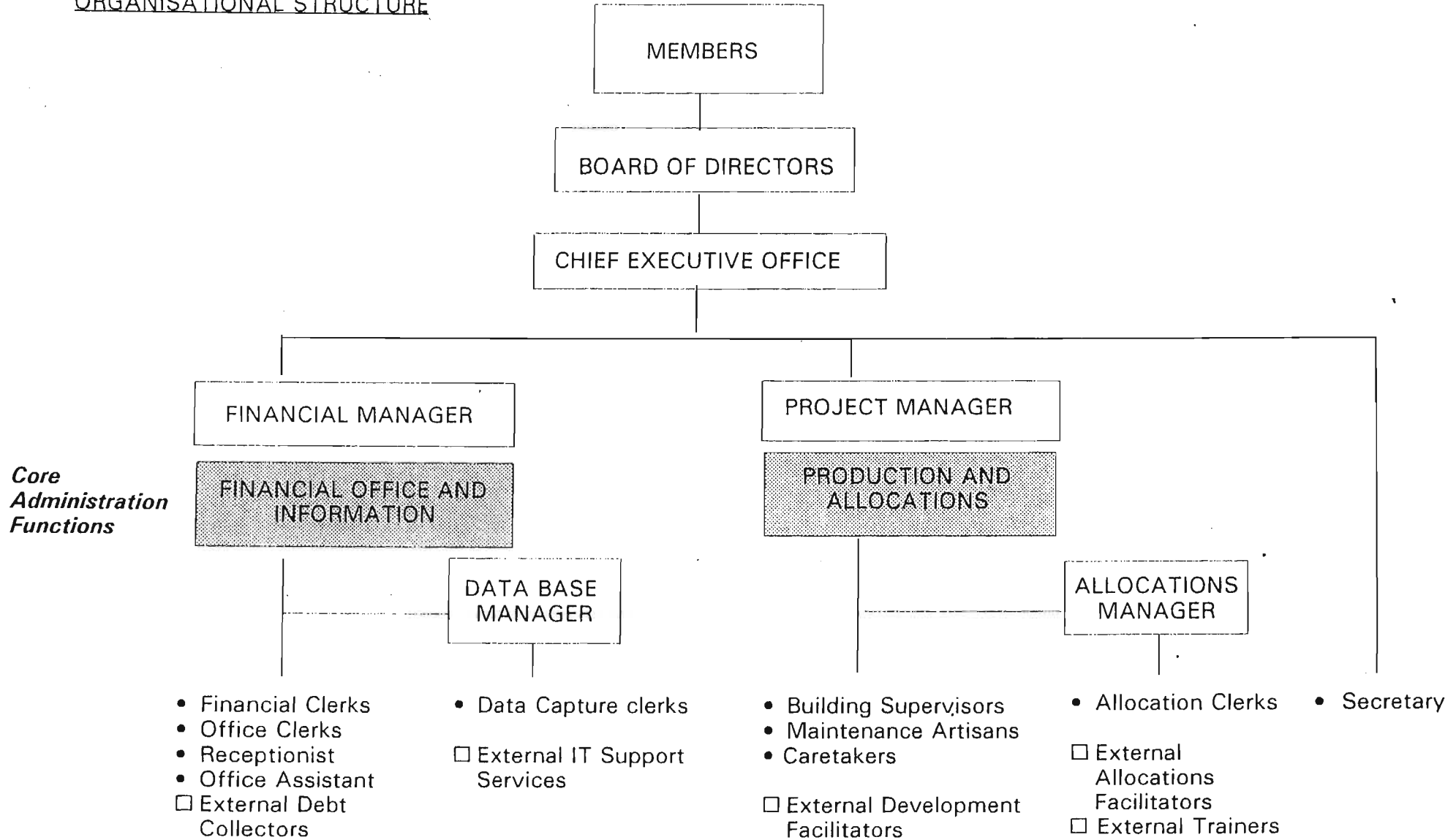


FIGURE 5.1

# First Metro Housing Company Business Plan

## Summary of Financial Analysis

Date : 30/6/98

**Analysis Name :** Business Plan 1

**Key Assumptions**

Value of PHB Institutional Subsidy : R16 125

Loan Information	Value per Unit		Interest Rate	Term ( years)	
Metro Development Loan	R691	over 5 years production	CPI + 3 %	8.00%	10
Metro Top-up Loan	R0			10.00%	20
NHFC Development Loan	R691	over 5 years production	CPI + 3 %	8.00%	10
NHFC Project Loan	R30 204	average loan	Act Bond + 3%	17.22%	20

Product & Rental	Lifeline Shelters		Apartments			Starter Housing Semi-Detached & Detached Dwellings			
	1-room <i>Communal Ablution</i>	2-room <i>Communal Ablution</i>	1-room <i>private kitchenette</i> <i>private ablution</i>	2-room <i>private kitchenette</i> <i>private ablution</i>	3-room <i>private kitchenette</i> <i>private ablution</i>	1-room <i>private kitchenette</i> <i>private ablution</i>	2-room <i>private kitchenette</i> <i>private ablution</i>	3-room <i>private kitchenette</i> <i>private ablution</i>	4-room <i>private kitchenette</i> <i>private ablution</i>
Product mix %	2.50%	2.50%	15.00%	15.00%	15.00%	25.00%	15.00%	5.00%	5.00%
Unit Size m2	12	18	28	31	45	24	35	45	50
Site Size m2	60m2	60m2	NA	NA	NA	120 m2	120 m2	120 m2	150 m2
Buiding Rate	R595	R595	R800	R800	R800	R715	R715	R715	R715
Product Cost per Unit	R16 072	R20 717	R43 308	R46 439	R61 051	R37 946	R48 206	R57 779	R63 640
Overhead Cost per Unit	R3 272	R3 272	R3 272	R3 272	R3 272	R3 272	R3 272	R3 272	R3 272
Monthly Rent	R59	R160	R657	R726	R1 048	R539	R765	R976	R1 105
Target Income Group (mthly hh Income)	R400	R800	R1 500	R2 500	R3 500	R1 500	R2 500	R3 500	R3 500
Rent as % of Household Income	15%	20%	44%	29%	30%	36%	31%	28%	32%
Monthly Income for which Rental is Affordable at 25 % of Monthly Income									
Rent Affordability	R236	R641	R2 629	R2 905	R4 191	R2 157	R3 060	R3 903	R4 419

# First Metro Housing Company Business Plan

## Summary of Financial Analysis

Analysis Name : Business Plan 1

		1	2	3	4	5	
YEAR		1998/99	1999/00	2000/01	2001/02	2002/03	
Annual Production Rate ( Units)		160	480	580	690	840	
Accumulative Production Rate		160	640	1220	1910	2750	
Cashflow : Net Surplus / (Deficit)		R403 792	R2 866 109	R4 960 081	R7 015 112	R11 459 450	
Income & Expenditure : Net Surplus / (Deficit)		R1 778 625	R8 937 494	R17 409 254	R28 643 019	R43 467 922	
Balance Sheet : Total Assets & Liabilities		R7 511 451	R30 392 897	R57 250 135	R88 705 198	R128 056 118	
							Totals
Funding Summary	PHB	R2 580 000	R7 740 000	R9 352 500	R11 126 250	R13 545 000	R44 343 750
	Metro Development Loan	R471 361	R771 334	R657 305	R0	R0	R1 900 000
	Metro Top-up Loan	R0	R0	R0	R0	R0	R0
	NHFC Devt Loan	R471 361	R771 334	R657 305			R1 900 000
	NHFC Project Loans	R4 832 669	R14 498 006	R17 518 424	R20 840 884	R25 371 511	R83 061 494

**ANNEXURE THREE**

**LEASE AGREEMENT OF THE  
HAWAII APARTMENTS**



all of which shall be paid monthly in advance on or before the first day of the month.

The total monthly rental is made up of both rental and service costs. The rental includes interest, maintenance and overhead. The service costs include items such as security, cleaning, rates, electricity and water costs for common areas, etc.

5. The tenant must pay the lessor, prior to occupation, a deposit of two months' rental amounting to: R.....
6. The **General Terms and Conditions** attached hereto as **Schedule 1** and the **House Rules** attached hereto as **Schedule 2** form an integral part of this agreement.
7. In the event that for any reasons the PHDB refuses to approve the tenant for an institutional subsidy, the lessor is entitled to cancel the lease agreement. If the lessor elects not to cancel the lease agreement, the tenant will be required to pay an additional rental of R270,00 per month.

Dated and signed on the ..... (day) .....(month) ..... (year), at .....

\_\_\_\_\_  
THE TENANT

If married in community of property, herein assisted by my spouse as far as needs be.

\_\_\_\_\_  
SPOUSE

\_\_\_\_\_  
FIRST METRO HOUSING COMPANY

9.4. The tenant will not be reimbursed or compensated by the lessor in respect of any alterations or additions unless the lessor has specifically agreed to such payment in writing.

10. Refurbishment

10.1. Should the lessor decide to refurbish the premises the lessor may require the tenant to vacate the premises for a reasonable period.

10.2. The lessor must try to minimise the disruption caused by refurbishment to the tenant and may not require the tenant to pay rental for the period which the tenant is required to vacate the premises.

11. Termination

11.1. The agreement will, subject to 11.7 below, remain in force for so long as the tenant meet his/her obligations hereunder or until terminated by the tenant on 1 (one) calendar month's written notice to the lessor or until the tenant has breached any term of this agreement as set out below.

11.2. The lessor may cancel the agreement by 1 (one) months' written notice to the tenant if the latter:

- fails to make payment of the full rental due in terms of the agreement on due date and remains in default for 7 (seven) days after receiving written notice from the lessor to make payment; or
- commits any other breach of this agreement and fails to remedy the breach within 14 (fourteen) days after receiving written notice from the lessor to do so.

11.3. The lessor's remedies under 11.2 are additional to any other remedies that the lessor may have.

11.4. Should the lessor cancel the agreement and the tenant disputes the lessor's right to do so and remain in occupation of the premises then pending the determination of the dispute –

- the tenant shall continue to make payment of the total rental on due date;
- the lessor's acceptance of those payments will not in any manner affect its right to cancel the agreement or to any remedy it may have.

11.5. Should the dispute between the tenant and the lessor be determined in favour of the lessor, the payments made in terms of 11.4 will be regarded as amounts paid by the tenant on account of the loss sustained by the lessor as a result of the holding of the premises by the tenant.

11.6. Should it become necessary for any party to enforce its rights in terms of this agreement, the successful party shall be entitled to legal costs at the attorney-and-own-client scale.

11.7. The lessor may terminate the agreement on 6 (six) months notice to the tenant if the property needs to be demolished or if the lessor is otherwise deprived of the property or if the property needs to be sold because of non-payment of rental by tenants.

12. Return of the premises

12.1. On termination of the agreement for whatever cause the tenant must return the premises to the lessor in the same good order and condition as it was on the commencement date, fair wear and tear accepted.

12.2. The premises are considered to be in good order if, starting from the report mentioned in 3.2 –

- the tenant has fulfilled his or her obligations of maintenance mentioned in 7 above;

- the tenant has restored any damage during the tenant's occupation of the premises of which he is responsible according to 7.2 above;
- alterations or additions to the premises not agreed to by the lessor, have been removed and the premises completely restored to the original condition;
- alterations and additions as agreed to by the lessor appear to be in good order and have been maintained.

12.3. The tenant will hand over, at the premises, all the keys of the premises (including external and internal door and cupboard keys) to a representative of the lessor on the day he or she vacates the premises.

12.4. The lessor has the right to treat all movable items (furniture and other articles) which remain in the premises after the vacation, as its property and may remove such items at the tenant's costs, unless the lessor has been informed in writing that a new tenant has bought such items.

### 13. Inspection

13.1. At least one week before the end of the agreement the tenant and the lessor will do an inspection of the premises together and record in a report what kind of repairs are needed to bring the premises back to good order, fair wear and tear accepted and what damage was caused during the lease period.

13.2. The tenant and the lessor shall each receive a copy of the report, which must be signed by both parties. Should the tenant fail to sign such report, such report may be signed by an independent building inspector.

13.3. The lessor may apply the deposit (and any interest thereon), to the payment of all amounts for which the tenant is liable, including the costs of repairing damage caused to the premises during the lease

period and any lost keys. If the cost of repairs exceeds the deposit, the lessor is entitled to claim such excess from the tenant.

13.4. The relevant receipts which indicate the costs which the lessor incurred must be available to the tenant for inspection as proof of such costs incurred by the lessor.

13.5. should the tenant fail to respond to the lessor's request for an inspection, the lessor must, at the end of the lease, inspect the premises within 7 (seven) days in order to assess any damages during the lease period. Should the tenant vacate the premises, without notice to the lessor, the lease is deemed to have come to an end on the date that the lessor established that the tenant had vacated the premises but in such event the lessor retains all its rights arising from the tenant's breach of the lease.

### 14. Deposit

14.1. The tenant must pay a deposit to the lessor in the amount set out in the main agreement. Should the tenant fail to pay rental when due in terms of clause 2 the deposit will be applied towards the amount due and payable by the tenant. The tenant must then again pay a deposit.

14.2. The deposit may also be used by the lessor upon termination of the agreement to repair any damages to the premises as set out in 13.3. The remaining amount of the deposit must be repaid within 21 (twenty-one) days of the end of the lease.

14.3. Interest shall be payable by the lessor in respect of the deposit at the rate of interest payable to an individual by a bank on a normal savings deposit.

14.4. The deposit must be invested by the lessor in an interest bearing

account with a financial institution.

- 14.5. The tenant will be liable for the letting administration costs to the lessor as a result of the tenant's termination of the agreement, should the agreement be terminated by the tenant within a period of 6 (six) months from the commencement date or should the agreement be cancelled by the lessor following the default of the tenant within a period of 12 months from the commencement date. These costs may be deducted from the deposit by the lessor.

**15. Receipts**

- 15.1. The lessor must furnish the tenant with a written receipt for any payment made for rental, arrears or as a deposit, or for any payment otherwise received by the lessor from the tenant.
- 15.2. The receipt must be dated and clearly indicate the address of a property in respect of which payment is made, and whether payment has been made for rental, arrears, deposit or otherwise, and specify the period for which payment is made.

**16. Committees**

The tenant or the lessor may together with other tenants, establish committees annually to meet with the lessor on matters of common interest.

**17. Occupants**

Unless approved in writing by the lessor, the maximum number of occupants that may reside on the premises must not exceed 3 (three) people per bedroom. In a one bedroom unit the maximum number of people is 3 (three); in a two bedroom unit the maximum number is 6 (six) people, and so forth.

**18. Parking bays and storage**

- 18.1. Where available, the tenant may hire a parking bay from the lessor to park a motor vehicle.

The parking bay may not be used for any other purposes unless the tenant first gets the written consent of the lessor.

- 18.2. Where available, the tenant may hire a storage room from the lessor to store the tenant's goods. The storage room may not be used for any other purposes unless the tenant first gets the consent of the lessor in writing.
- 18.3. The lessor may adjust the rentals for the parking bay and storage room from time to time.
- 18.4. The tenant may not use the parking bay and/or storage room when this agreement is terminated.

**19. Keys and locks**

If this agreement is cancelled and the tenant leaves the premises, the tenant must return to the lessor all keys to the premises, entrance doors to the building, storage room keys (if any) and the tenant's mailbox (if any). The lessor may recover from the tenant any amount which it spends to replace any locks or keys.

**20. Insurance**

- 20.1. The lessor will insure the property against damage including but not limited to the full replacement cost of the property.
- 20.2. The tenant will be responsible for the contents of the premises and must take out insurance if he or she wants to be so insured and must then pay all the premiums for the contents of the premises.
- 20.3. The tenant may not allow anything to be done or kept in the premises or in the common areas which will increase the rate of insurance which the lessor must pay. Where the tenant causes the rate of insurance on the property to be increased by the tenant's behaviour the tenant will be

personally liable to pay the extra insurance premium.

21. **Damage to property**

21.1. If the property and/or the premises is destroyed by fire or any other cause, the lessor will, as soon as it may, repair and/or rebuild the premises or the property. The tenant will not have any claim against the lessor during this time and the lessor will not be obliged to compensate the tenant for any of his or her loss or damage caused because the tenant could not occupy or use the property or the premises because of the damage.

21.2. If the lessor rebuilds or repairs the property or premises, the lessor may change or vary the form of construction of the property or premises. In this event the tenant will be entitled to the same standard of accommodation as regards the position and area of the property as he/she enjoyed before the destruction of the premises or property.

22. **Loss, damage or injury to persons or property**

22.1. The lessor will not be responsible for any damage or injury to the tenant, the tenant's family or guests, or to the tenant's property, except if the damage is caused grossly negligently or intentionally by the lessor, its agents or employees.

22.2. The lessor is hereby indemnified from any liability for loss or damage to the tenant's possessions whether in the premises, or parking area or storage room.

23. **No set-off**

The tenant is not allowed to refuse or fail to pay any money or part of any money which it owes to the lessor as a set-off against any money which the lessor may owe to the tenant or if the Lessor is in

breach of any terms of this agreement or for any other reason.

24. **Sub-letting or cession**

24.1. The tenant must personally reside in the premises during the lease period and may not allow any other person to occupy the premises or part thereof instead of the tenant. The tenant may not sublet the premises or any part thereof without written permission of the lessor.

24.2. The tenant may not cede any of his or her rights under this agreement to any other person or body.

24.3. The tenant does not have the right to choose his or her successor to the premises, but he or she may recommend a new tenant for the premises to the lessor.

24.4. The tenant understands and accepts that the lessor will draw up and keep a waiting list of people who want to become tenants, or sub-lessees of the property, and that the lessor has the sole discretion to decide in every case who the new tenant or sub-lessee will be. In the case of the death of the tenant, the lessor will give priority to the family members of the tenant who resided with the tenant in the premises, if they can afford the rental.

25. **Compliance with House Rules**

25.1. The tenant will comply with the House Rules at all times.

25.2. The House Rules are for the convenience, comfort and general well-being of the tenants and to promote the appearance and management of the affairs of the property.

25.3. Any tenant who does not comply with the House Rules may be evicted from the premises after the lessor has held an inquiry and given the tenant a hearing.

25.4. The House Rules may be amended from time to time. At least 1 (one) month written notice shall be given to tenants of proposed changes and tenants shall be given an opportunity to raise objections to new House Rules. Subject to the provisions of any applicable law, the final decision for implementation, shall be a decision of the Board of the lessor.

26. **Notices**

If any party needs to give notice to the other party, such notice must be in writing and must be delivered, to the tenant, by hand, at the premises and to lessor, by hand, at the address of the lessor as set out on the first page of main agreement, respectively, in which case delivery shall be deemed to have happened when the notice was so delivered.

27. **Legislation**

The lessor shall have the right in the event of any legislation being enacted affecting the relationship between the lessor and the tenant to amend the agreement accordingly.

28. **Miscellaneous**

28.1. This agreement correctly reflects what the parties intend and is the whole agreement between the parties. If this agreement is changed or cancelled added to by agreement between the parties, or if any one party gives up any of its rights under this agreement or if the agreement is changed in any way, such changes or additions or cancellations or waivers will not be recognised and will have no effect unless the parties put these changes in writing and each party signs the amendments.

28.2. The parties agree to do whatever is necessary, incidental or conducive to implement this agreement,

including signing whatever documents must be signed.

28.3. If either party gives or allows the other party any latitude, extension of time or other indulgence under this agreement, this will not be considered to be an implied consent by any party or operate as a waiver of such party's rights in terms of this agreement. It will also not stop this party from taking action to make sure that the other party complies with all the provisions of this agreement.

# **ANNEXURE FOUR**

## **HOUSE RULES OF HAWAII APARTMENTS**

SCHEDULE 1  
GENERAL TERMS AND CONDITIONS

1. Definitions

Unless the context dictates otherwise –

- 1.1. "agreement" or "lease" means the agreement between the parties which includes the Main Agreement, these General Terms and Conditions and the House Rules;
- 1.2. "main agreement" is the document signed by the parties to which these General Terms and Conditions and the House Rules are attached;
- 1.3. "commencement date" means the date on which occupation will be taken of the premises and when payment of the total monthly rental will commence;
- 1.4. "common areas" means all areas of the premises which have not been reserved for the exclusive use and occupation of any tenant, including the garden;
- 1.5. "deposit" means the amount of money which the tenant is required to pay as security and which is repayable to the tenant subject to the deduction of any amounts owing to the lessor at the end of the lease in respect of damage during the lease period;
- 1.6. "House Rules" means the rules for the premises in the form that they exist from time to time to be complied with by tenants, the initial set of which are attached to the agreement as Schedule 2 and which the lessor may amend from time to time in accordance with 25 below;
- 1.7. "municipal services" means the services provided by the municipality to the premises for the account of the tenant e.g. water and electricity; and
- 1.8. "premises" means the property as described in the agreement;

1.9. expressions in the singular also include the plural, and *vice versa*, words and phrases denoting natural persons refer also to juristic persons, and *vice versa*, and reference to any gender include the others.

2. Payment obligations of tenant

- 2.1. Initial rental for occupation shall be calculated on a pro-rata basis if the tenant takes occupation before the 1<sup>st</sup> of the month.
- 2.2. The tenant shall pay the rental without any deduction, in advance, before or on the first day of the month, commencing on the commencement date, either by way of pay-roll deduction or by transfer directly to the lessor's bank account.

3. State of the premises

- 3.1. The premises, on the commencement date, will be in good condition, subject to what follows below.
- 3.2. On or before the commencement date, the lessor and the tenant will inspect the premises to determine whether there is any defects and will record any such defects and the period in which such defects will be made good by the lessor in a written report.
- 3.3. Both the tenant and the lessor must receive a copy of the report, which shall be signed by both parties.

4. Rental increase

- 4.1. The lessor may increase the rental set out in clause 4 of the main agreement once a year in consultation with the tenants.
- 4.2. The lessor must give the tenant at least 30 (thirty) days written notice of any such increase and the reasons for the increase.

5. **Municipal services**

The tenant is responsible for concluding agreements with the municipality for the provision of municipal services and must effect payment directly to the municipality.

6. **Lessor's maintenance obligations**

Unless stated otherwise in the main agreement, the lessor must keep the outside and the structure of the premises in a good state of repair throughout the lease period, and must take care of all normal maintenance required on the outside or the structure of the premises.

7. **Tenant's maintenance obligations**

7.1. Throughout the lease period the tenant must maintain the inside of the premises in good order and condition and carry out at the tenant's own costs small maintenance inside the premises which include:

- any painting inside the premises;
- replacement of broken glass windows or mirrors;
- usual replacements and repairs to door handles, locks and hinges, switches and doorbells;
- maintenance of taps and toilet cistern and seat;
- light bulb replacement;
- all other small repairs and replacements required from time to time.

7.2. The tenant is liable for any damages caused by the tenant, his or her dependants, sub-lessees, other occupants or visitors during the lease period, fair wear and tear accepted.

7.3. The maintenance of internal fittings including the plumbing and electrical system in the premises is generally the responsibility of the lessor. The tenant, however, must keep and maintain the sewerage pipes and drains in or from the premises free from obstruction or blockage and in good working order. Should repairs to the plumbing system be required as

a result of the tenant's negligence the costs of such repairs may be claimed from the tenant.

7.4. The tenant has no right to withhold or deduct any rental because of maintenance works undertaken to the premises.

8. **Entering the premises**

8.1. Representatives of the lessor or contractors engaged by the lessor may at all reasonable times enter and inspect the premises. Where possible, such inspections will take place by prior arrangement with the tenant.

8.2. The tenant must allow the lessor to carry out all maintenance works necessary to the premises.

8.3. In an emergency, the premises may be entered without giving notice to the tenant.

9. **Structural alterations**

9.1. The tenant must not make any structural alterations and additions to the premises without the lessor's prior written consent which consent may not unreasonably be withheld.

9.2. Any alterations or additions made with the lessor's consent must be carried out by the tenant:

- at the tenant's cost;
- should the lessor so require, under the supervision of an architect or engineer approved by the lessor, whose fees the tenant shall pay;
- in accordance with any other reasonable conditions and requirements stipulated by the lessor.

9.3. The tenant is obliged to carry out maintenance works to alterations or additions done by him or herself at his or her own costs.

## SCHEDULE 2

## HOUSE RULES

**1. Definitions**

1.1 In these Rules, "premises" shall mean an individual unit occupied by the tenant and "property" shall mean the property comprising the various premises.

1.2 Any obligation on a tenant in terms of these Rules shall also apply to dependants or other persons residing in the premises and the tenants' visitors, for whom the tenant shall be responsible.

**2. Introduction**

Tenants shall treat one another and the lessor's representatives with dignity and respect. Accordingly, tenants shall refrain from using foul language on the property and work towards creating an environment conducive to good neighbourly relationships.

**3. Committees**

3.1 The lessor may delegate any or all of the lessor's powers in terms hereof to a committee established by tenants for this purpose.

3.2 The committee may determine and publish fines for the contravention of these rules and may, with the consent of disputing tenants, mediate or arbitrate between tenants.

**4. Noise**

Tenants and their visitors shall be considerate to neighbours and not make loud noise or play loud music, particularly at night.

**5. Vehicles**

At the decision of the lessor damaged vehicles and vehicles that are excessively dirty, not in general use, drip oil or are not road worthy may not be parked on the property or in a parking bay. Such vehicles will be towed away at the expense of the tenant. Vehicles may not be washed on the property.

**6. Trade**

Any type of business or trade from premises or on the property must be approved by the lessor with the consent of neighbours.

**7. Littering**

7.1 Tenants shall maintain their premises and common areas and corridors in a neat and tidy condition and shall avoid littering of any kind.

7.2 Any advertisements and posters shall be placed in designated areas and require the prior approval of the lessor.

**8. Demonstrations and political gatherings**

Demonstrations and all political/union gatherings of whatever nature shall not be allowed on any part of the property.

**9. Pets**

Tenants may not, without the consent of the lessor, keep any pets in the premises or on the property.

**10. Storage of inflammable materials**

A tenant may not store any inflammatory materials on the premises or on the property.

**11. Refuse disposal**

Tenants must –

11.1 maintain a hygienic dustbin for refuse on his or her premises;

11.2 ensure that before the refuse is placed in the dustbin, an approved plastic refuse bag is placed inside the dustbin;

11.3 for refuse collection, place such plastic bags securely tied in the area designated by the lessor at the determined times. Care shall be taken not to allow plastic bags to split or spill and to ensure that refuse is not scattered.

**12. Security**

No firearms or pellet guns may be used by tenants on the property.

**13. Person access covers**

Only the lessor or persons approved by the lessor may remove manhole covers. No structures or objects may be placed on or over manholes.

**14. Sewers**

Only the lessor or persons authorised by the lessor may clean, repair or maintain the sewerage reticulation system. Tenants shall ensure that no items are placed in toilets that can block sewers.

**15. Stormwater drainage**

No litter or rubbish or anything that may cause a blockage may be placed in the stormwater system.

**16. Electrical rules**

16.1 Only an electrician, authorised by the Lessor, shall be allowed to work on any electrical equipment in the premises or on the property.

16.2 Tenants must provide, at their own expense, all electric bulbs required on the premises.

**17. Laundry**

Tenants must ensure that laundry is only hung in areas designated by the lessor and kept out of public view. No laundry is allowed to be hung out of windows or over balconies.

**18. Post**

Tenants must clear their post boxes frequently and avoid littering due to uncollected post.

**19. Foul odours**

Tenants may not cause foul odours which will be offensive to other tenants.

**20. Damage**

Tenants may not do anything that will cause any damage to the premises or property and will be liable for the cost of any damage caused.

**21. Fire equipment**

Tenants may not tamper with any fire fighting equipment and may not use fire hoses for any other use than fire fighting.

**22. Use of Lifts**

22.1. Tenants are required to use the lifts responsibly and efficiently in order to avoid waste of electricity.

22.2. Children under the age of twelve years old are not permitted to travel in the lifts unaccompanied.

**23. Smoking**

No smoking is permitted in the enclosed common areas including foyers and lifts.

**24. New rules**

These Rules may be amended from time to time. At least 1 (one) month written notice shall be given to tenants of proposed changes and tenants shall be given an opportunity to raise objections to new Rules. Subject to the provisions of any applicable law, the final decision for implementation, shall be a decision of the Board of the lessor.