

**THE ROLE OF PUBLIC AND PRIVATE PARTNERSHIPS
IN HOUSING DELIVERY IN SOUTH AFRICA**

by

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ABSTRACT

The housing crisis in South Africa that is a result of the colonial and Apartheid legacies is severe. These persistent legacies have resulted in either no housing or the lack of affordable housing and/or homelessness for millions of South Africans. Although, South Africa implemented a new housing policy in 1994, delivery in terms of the new policy has been much slower than anticipated.

Joint ventures between the public and private sectors are important for resolving South Africa's housing crisis because the Government of National Unity has limited capacity to meet South Africa's housing needs. Successful joint ventures between the public and private sectors can spread the risks (administrative, political, social, and financial) associated with the delivery of housing in South Africa.

This thesis attempts to explore the role of public and private partnerships in meeting the housing challenge in South Africa in light of South Africa's current housing policy. The role and responsibilities for local government in housing will also be examined in this thesis. It is argued that the success of South Africa's housing strategy depends on the commitment of key actors in many institutions and on linkages among developers, banks, the construction industry, national, provincial and local government, non-governmental organizations, and community-based organizations. This thesis projects those successful joint ventures between the public and private sectors will greatly assist South Africa in meeting its housing challenge.

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CHAPTER I.

1.1 INTRODUCTION AND OBJECTIVES

The housing crisis in South Africa, that is a result of the colonial and Apartheid legacies, is immense. According to the Department of Housing White Paper, it was estimated that in 1994 (of a population that was projected to be 42.8 million in 1995) there was an urban housing shortage of 1.5 million houses, 7.4 million people lived in squatter settlements or backyard shacks and 5.2% of all households lived in hostels (Housing White Paper, pp.8-11). Furthermore, it was estimated that 200,000 new households will be added each year between 1995 and 2000 (Housing White Paper, p.8). Given the low rates of housing delivery, it is expected that the housing backlog will increase at 178,000 units per year from 1995 to 2000 (Housing White Paper, p.11).

South Africa has had a new housing policy since 1994 that aimed to target the poor for housing provision. However, delivery in terms of the new policy has been much slower than anticipated and expectations have been unrealistic. This has placed great pressure on the Government of National Unity, which has been unable to see South Africa reach its goal of a delivery rate of 300,000 units per year to meet the housing demand (Narsoo interview, July 8, 1997)

This thesis examines the role of public and private partnerships in meeting the housing challenge in light of South Africa's current housing policy. I hypothesize that joint ventures between the public and private sectors are important to resolving South Africa's housing crisis because the Government of National Unity has limited capacity to meet South Africa's housing needs. The government hopes to use the knowledge, skills

and financial resources of the private sector while it moves away from a model that produces finances and maintains housing. Instead, it seems to be adopting a model that improves housing market efficiency and improves the housing conditions of the poor (Narsoo interview, July 8, 1997).

Joint ventures between the public and private sectors are important because they spread the administrative, political, social and financial risks associated with the delivery of housing in South Africa. There are administrative and bureaucratic problems with the subsidy application process, approval and implementation of the capital housing subsidy, problems with the Social Compact between the developer, community and government; struggles at local levels and lack of experience of local leadership; regulatory problems; and problems with beneficiaries who lack experience of home ownership (Steenefeldt, Nyoni and Leonsis interviews, July and August 1997).

There are also problems with obtaining bridging finance for housing construction and/or rehabilitation because both lenders and developers are risk-adverse (Mjekula and Wright interviews, August 14, 1997). Commercial risk has been stated as low demand, because of low levels of affordability, and low levels of willingness to pay. Political risks have been identified political discrepancy, policy uncertainty, civil unrest and protests, high levels of crime and violence (Nell interview, August 12, 1997).

Joint ventures allow the aforementioned risks to be spread between the public and private partners. This thesis identified the primary risks involved in housing delivery in four case studies and which agencies were best equipped to manage these risks. In the

four cases that were examined in this thesis, public and private partnerships resulted in increased or improved housing delivery.

The success of South Africa's housing strategy will depend on the commitment of key actors in many institutions and on linkages among banks, the construction industry, non-governmental organizations (NGOs), community-based organizations, and other private enterprises. Although the challenge is tremendous, I believe that those successful joint ventures between the public and private sectors will help South Africa in meeting its housing challenge.

1.2 METHODOLOGY

The methodology that was used incorporates over forty interviews and consultations with key role-players, stakeholders and observers of housing delivery systems in South Africa and experts on South African housing policy, housing finance, housing construction and development, the rental market, community development and urbanization. Interviews were also conducted with important observers of the political process and the Social Compact. Selected beneficiaries were interviewed about their satisfaction with the housing options that had been delivered to them utilizing the capital housing subsidy.

Archival research and secondary sources were also reviewed.

1.3 BACKGROUND

Market-Centered Shelter Policies

It is useful to place the success cases in this thesis within the context of the current urban housing markets in South Africa. International experience has shown that market-centered approaches to housing policy have only worked in getting housing delivered, however, those who occupy it are not low-income people for whom the housing policy targeted as the chief beneficiaries.

There is little evidence in South Africa, however, to support the concept of “downward raiding”, the process where middle-income households receive housing intended for poor people. Some scholars have suggested that as the first occupiers of low-income housing (under the current subsidy program) find it difficult to meet the continuing costs of water, electricity and rates charges in their new homes and as the location of housing projects gets better, then downward raiding will occur (Bond and Tait, p.23). They also have suggested that downward raiding could occur in South Africa if higher-income households purchase a subsidized housing lot for cash, and receive a discount, in turn (Bond and Tait, p.23).

However, these scholars cannot cite any cases where downward raiding has taken place. They predict that low-income people may lose their housing subsidies through downward raiding, become homeless, and be ineligible for a second housing subsidy (Bond and Tait, p.23).

These same scholars note that the Reconstruction and Development Program of the Government of National Unity in South Africa demands that protections should be given against the loss of the capital housing subsidy in this way (Bond and Tait, p.23).

The Director of Housing Policy and Administration for Gauteng Province, Mr. Monty Narsoo, stated in interview that the Housing Department had no evidence that downward raiding had occurred in low-income housing projects using the capital subsidy (Narsoo interview, July 8, 1997).

For the four case studies reviewed in this thesis, interviews were conducted with beneficiaries, developers, the Department of Housing for Gauteng Province, the Greater Johannesburg Metropolitan Council, Seven Buildings, The Johannesburg Housing Company, Grinaker Housing, The Councilor of Roodepoort (mayor), SANCO, the South African Civic Organization (Johannesburg Inner-City Branch) and non-profit housing managers of the housing projects in the four case studies to determine if downward raiding had occurred. Data on household income, subsidy applications and approval criteria, rent reports and project development reports from the housing managers were analyzed. Evidence from the interviews and the written data do not show that downward raiding occurred in the four case studies.

The perspective of beneficiaries and developers were interesting on the subject of “downward raiding”. Beneficiaries in the four case studies and developers concurred that higher-income people were not attracted to the housing products that were being delivered with the capital housing subsidy for essentially three reasons: (1) middle-income households disliked the small size of the houses and the less than prestigious

locations of the housing projects to live in themselves; (2) middle-income households would not purchase this type of housing, even for rental income purposes, because they feared the culture of non-payment that existed in South Africa among poor and low-income people; and (3) middle-income households usually qualified for housing subsidies from their employers that were targeted for the larger, better quality houses that they desired in good locations.

Furthermore, most middle-income households have access to end-user finance in the form of affordable home loans or they could obtain credit for housing that is directly tied to their pension funds for the purchase higher quality housing. Because of the housing crisis in South Africa, both traditional and non-traditional lenders have stringent criteria for the use of home loans and end-user housing finance in housing projects that use the capital housing subsidy. This mitigates against the practice of “downward raiding” (Wright interview, August 14, 1997).

In addition, a careful review was made of the initial subsidy application process phase through the final phase when housing was delivered to beneficiaries in three of the case studies and it was discovered that the targeted low-income beneficiaries received the housing intended for them and not higher-income households.

CHAPTER II THE EVOLUTION OF HOUSING POLICY IN SOUTH AFRICA

Policy Environment For The Four Case Studies

The four housing projects in this study came out of a new policy environment created by the first post-Apartheid government in South Africa in 1994. The goals of the new housing policy were: targeting poor people with no incomes to R2500 per month for affordable housing through a capital housing subsidy; stabilizing the housing environment; supporting the housing process; changing the institutional framework for housing by consolidating 17 racially-based housing departments and 24 separate housing funding divisions; mobilizing housing credit for low-income people; releasing State land for housing purposes; providing infrastructure, service standards and tariffs; mobilizing personal savings; and creating jobs, (Housing White Paper, pp.20-64).

Recent amendments to the Government's housing policy have come in the form of a Housing Bill that was passed by Parliament in July 1997. Two additional goals to those mentioned above include stimulating the housing market (particularly, rental housing) and devolving the main responsibility for housing to local government (Housing Bill 1997, Annexure 2 and Annexure 5).

It is important to note here that two of the case studies that follow are renovated rental stock in Johannesburg's inner-city and that one of the housing projects came about because of the persistent efforts of the Local Authority in Roodepoort, a small city near Johannesburg, that decided to form a public-private partnership with a major South African housing developer to scale-up housing in that area.

Some Problems With Current Housing Policy

The four case studies must be considered within the context of an often-conflictual policy environment in South Africa. Success in the four cases is largely attributed to their ability to navigate the complex, conflictual policy environment.

One of the main problems of the new housing policy is that it has emphasized “width” – providing more lower-quality housing to as many people as possible rather than “depth” – providing higher-quality housing to fewer people (Tomlinson interview, July 1, 1997). A second problem is that the policy has an “incremental approach” similar to the despised site and service projects of the Apartheid Government (Bond and Tait, p.19).

Another problem relates to the Social Compact, an agreement that must be signed by the community of beneficiaries, the developer and other stakeholders before a housing development can be subsidized by the Government. In reality, many of the Social Compacts have fallen through at the last minute before all of the stakeholders have signed the agreement. This delays the subsidy application being submitted to the Government and being approved. This helps to make for a “stop-start” process of housing delivery which increases the original cost of the project and make developers reluctant to embrace more Social Compacts (Leonsis interview, July 31, 1997).

Yet another problem has to do with the scarcity of end-user finance and red-lining of certain areas by traditional and non-traditional lenders (Ayanda and Wright interviews, August 14, 1997). To remedy this problem the Government set up the Mortgage Indemnity Fund in 1995, which covers default on a loan arising from political

disturbances and other civil disorders. However, even in areas where the Mortgage Indemnity Fund (MIF) exists, lenders have still refused to give credit to households that earn less than R1 500 per month (Tomlinson, p.24)

Housing Policy From 1920 to 1994

Before 1920, little was done to improve the poor housing condition of the black majority in South Africa. Some single-sex hostels for African migrant workers were provided but little more. In the 1920, South Africa created a racially based housing policy to control the urban migration of Africans and to supply cheap labor to white areas. The housing policy was entrenched in the Stallard Principle of the 1923 Natives Urban Areas Act which denied tenure of urban land to Africans and also voting rights (Wilkinson, p.3).

In the 1930s the housing policy was amended to promote total segregation of the races and in 1948 to promote “grand Apartheid. The South African government created separate townships for Africans, Indians and Coloreds (mixed-race people) and white residential areas for the purpose of residential segregation. Furthermore, the African, Colored and Indian areas were separated administratively and geographically from white towns and cities (Wilkinson, pp.4-5).

In the 1980s, the South African government instituted two major reforms: it repealed the influx control laws that made it illegal for black to stay in cities after working hours and it enacted the 1986 Black Community Development Amendment. Some scholars believe that these two policy reforms, in reality, just shifted the supply of black migrant labor from township to the metropolitan areas rather than from the far-away black homelands to the metropolitan areas.

Before 1986, black housing on the Pretoria-Witswatersrand-Vaal area was owned, leased or rented by the government. All housing was provided to blacks on a rental basis by the government (Smith, p.46).

The repeal of the influx law showed the government's failure to stop black urbanization. Instead, the South African government began a policy to control Black Township development by controlling the supply of land for housing. It approved housing development in black areas and the decentralization of industrial activities to the suburbs. This resulted in a dispersed but highly concentrated residential pattern of Black people, high land prices and high housing prices in black townships

Apartheid had a negative impact on the housing sector. Most of the poor, black majority could not afford housing. In addition, the pattern of residential development produced other inequalities such as poor infrastructure, inadequate municipal services, inferior social services, and poor environmental quality.

Privatization of black housing in the 1980s allowed the government to remove itself from providing housing directly and from financing housing (Smith, p.46) Although, private developers, financial institutions, employers and individuals became more involved in black housing, in 1987, less than 15 percent was invested in housing that cost less than R15,000 (Smith, p.26). Forty percent of private sector housing money was spent on black housing that cost more than R40,000 (Smith, p.4 6). This resulted in 40 percent of private sector housing money being spend only 10 percent of the urban black population and only 15 percent of these funds were spend on 57 percent of the urban black population (Smith, p.46)

The apartheid regime used housing as a political tool where rewards were given primarily to white Afrikaners for joining the power structure. The Apartheid National Party developed a subsidy policy for white civil servants. This old subsidy policy did not target the poor, who were the black majority. It was based on a range of subsidy formulas that stimulated demand for larger and more expensive houses than the poor could afford. It accomplished this through an interest rate subsidy, which was attached to a mortgage bond with a traditional bank or lending institution (Nell interview, August 12, 1997). Because poor black people earned less than R1500 per month they could not qualify for the subsidy. This Apartheid-era subsidy program was in effect until the new housing policy was created in 1994 (Nell interview, August 12, 1997).

Current Housing Policy – Is This *deja vu* Without A Difference?

The new capital subsidy under the National Housing Policy of 1994 reversed the trend that gave political benefits to people that the Apartheid regime favored (Nell interview, August 12, 1997). It also provides access to tenure, rental accommodation on a sustainable basis, and delivery of housing products on a larger scale (Housing White Paper, p.1-20). The new subsidy policy targets the poor and individual subsidies are based on monthly income. The subsidy does not go to the end-user but to developers of housing.

The types of developers of housing have been expanded in South Africa since 1994 and can be categorized into six groups: local public developers who are local authorities; provincial public developers that deal with housing delivery at the provincial level, including housing or development corporations; private developers who operate for profit, as well as Section 21, non-profit companies; and “unusual private developers”. “Unusual private developers” operate development trusts, associations and organizations for specific housing projects. There are also parastatals that are funded, in part, by the State; and joint ventures between public and private partners. The South African Residential Developers Association stated in interview and in a written report that there were 465 developers working on housing projects in South Africa in 1996. This is an increase from 256 developers in 1991.

Housing Subsidies And What Can Be Delivered

The capital housing subsidy is intended to give access to beneficiaries that qualify to a range of residential property including: newly constructed single housing units;

housing in newly constructed multiple unit complexes, including apartments; housing in reconditioned, or renovated buildings; existing housing of all types; in situ upgraded site and service settlements; incremental housing projects, where a serviced site is given in the first stage, with the remaining subsidies being used for building a house (Housing Subsidy Scheme and other Housing Assistance Measures, p.9).

Households that have incomes of less than R800 per month to R3500 per month qualify for the new subsidy to purchase a house or housing option. Households earning less than R800 per month can receive the full subsidy, which is R15000; the lowest subsidy level is R5000 for households with incomes of R2501 to R3500 per month (Housing Subsidy Scheme and other Housing Assistance Measures, p.8). Only the head of a household can apply for a subsidy. A household is defined as a married couple, or people living together as a family in one house or a single man or woman who has dependents like children or parents (Housing Subsidy Scheme and other Housing Assistance Measures, pp. 7-8.) The head of the household must be a South African citizen, 21 years of age or older. The household must never have received Government assistance to get a house before and must have never owned a house before anywhere in South Africa. Also, a household would be excluded from the subsidy from the Department of Housing if it applied for or received a grant from the Department of Land Affairs to purchase or acquire land under the Land Reform Program (Housing Subsidy Scheme and other Housing Assistance Measures, p.7).

One type of subsidy, called the Individual Subsidy, is applied for by a household and can be used to purchase a housing option. An individual household can go to a

traditional bank; non-traditional lender or building society to obtain bridging finances, provided that it conforms to the lending conditions of the financing institution. As in all subsidy types, the subsidy goes to the developer and not to the end-user.

A second type of subsidy is a Project-linked Subsidy, which is available for developers to provide residential properties to beneficiaries. A group of beneficiaries can work with a developer to decide on a housing project and combine their individual subsidies together in the project.

A third type of subsidy is called an Institutional Subsidy. It is available to developers to provide subsidized residential properties. A non-profit institution like a church, non-governmental organization or housing co-operative is the developer. The beneficiaries will not own the house (or apartment) themselves but will rent from the institution until the institution gives them tenure through a rent-to-own arrangement, which is usually a three-year process.

The fourth type of subsidy is called a Consolidation Subsidy. Beneficiaries can get a Consolidation Subsidy if their household already lives on a serviced site, which they received from the previous Government. This subsidy is less money than the other Subsidies because the household has already received help from the Government.

The Reconstruction and Development Program of the Government of National Unity estimated that a minimally decent house would cost R30000 (including serviced land) to provide. It proposed that the cost of such a housing product would be provided through a R15000 subsidy, plus R15000 in loans from the private sector. In order to meet the target of 1 million houses over 5 years, there would have to be annual construction of

200,000 houses, costing R6 billion. This R6 billion would become available by increasing the housing sector's budget allocation to 5% of the national budget or about R8,7 billion. Currently, housing receives 2.2% of the national annual budget. It should be noted that at the end of 1996, fewer than 35,000 new houses had been delivered, by some estimates, against a goal of 300,000 units. Nonetheless, the National Housing Ministry estimates that the end of 1997 will deliver 200,000 new housing option. Housing developers in South Africa concur with the National Housing Ministry's estimates for 1997 (Leonsis interview, July 31, 1997).

CHAPTER III HOUSING DELIVERY SYSTEMS IN SOUTH AFRICA

A 3-year cycle is average for the planing and programming of a housing project in South Africa under the new subsidy program. The time can be cut to two years if land can be quickly identified and released and if a township or area can be planned and developed with too many obstructions. In 1997, a report was published in Housing In South Africa by United Communications in association with the Institute for Housing of South Africa and the South African Residential Developers Association (SARDA) which showed that from a sample of 850 projects, one-half of the housing delivery packages were for serviced sites with some form of top structure. The report also showed that the government-housing subsidy was critical to the financing mechanism used in all low-income housing projects because it helped the developer to leverage other financial resources from the private sector.

Four Stages In The Housing Delivery Program

There are four stages to the subsidized housing delivery process in South Africa that most housing projects follow including the four in this case study: the Proposal Stage, the Marketing Stage, the Implementation: Stage and the Handover Stage. The Proposal Stage is the most complex and this is where housing delivery has the potential to take off very well, or be stopped. In the Proposal stage, a Steering Committee is established to look for and evaluate housing options, to establish community needs and to investigate empowerment opportunities, such as looking at work opportunities for emerging builders/contractors. The composition of the Steering Committee varies from project to project but can include the developer, potential beneficiaries, representatives

from civic organizations and other community-based organizations, land owners (private and/or public), a private lender like a bank or building society, a local authority or its representative, a contractor, and sometimes a representative from a Provincial Housing Board.

Each phase of the Proposal Stage has to be approved by the Steering Committee or the project is disrupted. Local Authority support is sought and State land, if available is released or private land is sought. A feasibility study is produced and submitted to the Steering committee for approval. The Steering Committee organizes interim finance and establishes a marketing plan. The final part of the Proposal Stage is reaching agreement about the subsidy application.

In the Marketing Stage, the proposal is completed. Marketing and sales documentation is prepared, showhouses are built and development liaison officers are appointed. Beneficiaries are signed-up and they apply for individual subsidies. Then, the subsidy applications are submitted to the Provincial Housing Board for approval. In the Implementation Stage, the project is officially established and stand registration is completed. Also in the Implementation Stage, the building plan is approved and top structures are built designers and contractors are appointed and they install internal services. In the final stage, the Handover Stage, handover of units to the beneficiaries occurs, as well as implementation of maintenance procedures. Finally, there is payment by the Provincial Housing Board and all other final accounts are settled.

Major Problems In Housing Delivery Systems

Interviews with key stakeholders in the housing delivery scheme showed that there are major problems with housing delivery in South Africa. Only one-third of all houses that the developers apply for are actually delivered. This has been attributed to (1) either outright rejection of the subsidy application or delays in approval of the subsidy application and (2) interference with beneficiaries and contractors, by power-hungry local elites and sometimes by criminal elements in the community. This second factor has led to violence, at times, in various places in South Africa.

Developers who were interviewed for this thesis stated that their problems on site are caused by these stop-start processes mentioned above and by the irregular provision of government subsidies. Two major reasons why the four case studies were successful have to do, in part, to timely approval of the subsidy applications and minimal to no interference by troublesome people in the community. Small-sized and medium developers have additional problems. They usually don't have their own administrative team to process the hundreds of subsidy applications that they receive (Leonsis and Backus interviews, July 31, 1997 and August 5, 1997).

On average, the Provincial Housing Board's approval of a subsidy application should take 14 days but it is usually much longer. Once the subsidy applications are approved, an order is given to a contractor/developer to build the houses. From the time that a government subsidy has been approved until a contractor is on site, requires 183 individual actions by a government bureaucrat. Before July 1997, 203 individual actions or decisions were required, so, there is slight improvement.

The lead-time for housing construction is from 18-24 months. By the end of 1997, contractors hope to reduce the lead-time to 7 months. However, the construction industry faces its own set of major problems.

Since the 1980s, the construction industry in South Africa has been fragmented. The construction industry has lost skilled and experienced workers and suffered a shortage of training facilities for emerging contractors. This happened because the industry had to deal with the effect of economic sanctions, a lack of investor confidence and reduced public sector spending on housing. Furthermore, efforts to consolidate the construction industry have failed, although there are many joint ventures between established contractors and emerging builders, who are usually from disadvantaged communities. In addition, many of the emerging black contractor organizations have tried to discredit established contracting companies.

These problems have resulted in a proliferation of organizations they all say they represent the contracting industry. All of these organizations jockey to impress the power brokers (banks and lending institutions, the Government, and the regulatory community). Both established contractors and emerging builders stated in interview that the Government must address the dearth of development skills in the construction industry, which is effecting housing delivery. One suggestion is for the government to provide better funding to technical colleges who help to train contractors. Other suggestions include having technical colleges keep close contact with organized industry to know what the needs are. Yet another suggestion is to make the old apprenticeship system more attractive to emerging builders.

Another annoying problem exists in housing delivery. After a house is built, it is often difficult to locate the beneficiary, particularly in informal settlements where addresses don't exist. Even though a specific individual has signed a contract for a house, incomplete addresses or no addresses are often supplied. Recently, community radio has been used to contact beneficiaries throughout South Africa.

CHAPTER IV

FOUR CASES OF SUCCESSFUL DELIVERY UNDER THE CURRENT POLICY

I selected the four cases after conducting two months of interviews with the key actors in housing delivery in South Africa during July and August 1997. These main stakeholders in housing included housing departments in the national, provincial and local governments, housing developers/contractors, beneficiaries, housing project managers, financial institutions, development consultants, urban planners, academics and non-governmental agencies working on housing. I was told that the four cases that I selected (out of 20 cases that I reviewed) were success cases in terms of housing delivery.

The main constraint in my selection process was choosing Gauteng Province for my research. I was advised to conduct research in Gauteng Province because the capital housing subsidy program was fully operative and understood in this Province. I was told that the capital housing subsidy program was not totally operative in some of the other eight Provinces in South Africa at the time of my research.

Four cases where housing was successfully delivered in South Africa utilizing the new housing policy were studied. Each case is unique and the aspects of success and also the reasons for success in each case are somewhat different. The criteria used to determine whether or not a project was successful included the ability to navigate a complex and conflictual delivery process, sufficient financing arrangements, and user satisfaction.

In the four cases of successful housing delivery, risks were shared, although not evenly, by the public and private partners.

All of the cases are located in Gauteng Province, South Africa. The four cases are the Johannesburg Housing Company (rental stock), Seven Buildings (renovated rental housing stock that the low-income tenants purchased with money from the State), the Roodepoort Housing Project (starter homes 18 to 42 square meters), and Kwazamokuhle Housing Project (starter homes and rudimentary homes 18 to 52 square meters).

Local Institutional Arrangements That Contributed To Success In The Four Cases

It is important to note that the Johannesburg Housing Company and Seven Buildings benefited from R17 million in housing subsidies that were allocated to the inner city of Johannesburg by the Department of Housing for Gauteng Province (Johannesburg Housing Company Ltd. Annual Report 1996, p.5).

Further, the assistance of local authorities was crucial to the success in the four case studies. In addition, the success of these four cases can be directly attributed to five supply-side interventions that were largely created and financed by the South African government to support its market-centered approach to housing: The Mortgage Indemnity Fund (MIF), the National Housing Finance Corporation, the National Urban Reconstruction and Housing Agency, the establishment of housing associations and the National Home Builders Registration.

Hannes Engelbrecht, Manager of Mortgage lending at FutureBank Corporation, and Ayanda Mjekula and Dave Wright in the Home Loans Division of Standard Bank of South Africa stated in interviews that the aforementioned government interventions were needed because financial institutions don't want to absorb the risks of low-income

payment. This was especially true in the current climate of non-payment in South Africa. Furthermore, these lenders stated that the Government's housing subsidy program would be untenable in the future because it will not be able to afford it due to the increased demand for housing. The financial lenders suggested that one solution be for the Government to convince the Reserve Board to lower the interest rate. These lenders stated that all of the recipients of their home loans in the low-income category must have life insurance as one of the conditions of the loan and must undergo a rigorous training program that is focused on the responsibilities of home ownership and that explains the rudiments of housing finance.

SANCO, the South Africa Civic Organization played a major role in assuring that housing delivery was not interrupted in all of the four cases by exerting its powerful influence with inner city beneficiaries to cooperate with the stakeholders in housing (Interviews with beneficiaries in the four cases, and Mdalose interview, August 11, 1997).

The Central Johannesburg Partnership contributed to successful housing delivery in two of the case studies by providing various kinds of advice and support to three of its members, The Johannesburg Housing Company, Seven Buildings and the Greater Johannesburg Metropolitan Council (Fraser interview, July 22, 1997).

The Role of Local Authorities

The Greater Johannesburg Metropolitan Council (GJMC) worked closely with the residents of Seven Buildings to intervene with a slum landlord who refused to pay large arrears for rates and services in Darwin Mansions, one of the apartment buildings that

Seven Buildings had purchased from the landlord. The problem was that Darwin Mansions could not be officially transferred to Seven Buildings until the arrears, that amounted to millions of Rand were paid. The GJMC put pressure on the landlord who paid the arrears, and then Darwin Mansion was transferred to Seven Buildings (Nyoni interview, August 1, 1997).

The Greater Johannesburg Metropolitan Council helped the residents in the Seven Buildings to convert to direct billing for electricity and water as part of the upgrade of the buildings. It also improved city services such as trash collection, and crime prevention, in a timely manner, after the residents complained (Nyoni interview, August 1, 1997). The GJMC also assisted the residents in the Johannesburg Housing Company projects and the Seven Buildings by reducing the number of street hawkers and taxi ranks in Joubert Park where many of the apartment buildings are located. Overcrowding on the streets caused by hawkers and at taxi ranks was an often-repeated complaint by the residents (Nyoni interview, July 14, 1997). The actions of the GJMC are noteworthy because many local authorities in South Africa are nearly bankrupt and unable to provide even basic services (Mashinini interview, July 10, 1997).

Local Authority paralysis that has resulted in the degradation of cities in parts of South Africa did not occur here. The GJMC, the beneficiaries and the project managers for Seven Buildings (and the Johannesburg Housing Company) have worked together harmoniously and have used consensus and conflict-resolution processes to solve problems (Fraser, Nyoni and Adler interviews, July and August 1997).

The quick response to the complaints of the beneficiaries in Seven Buildings housing by the GJMC Local Authority was important because residents in other housing projects that were being refurbished in South Africa often used the excuse of poor city services and crime as excuses not pay their the Basic Rates and Service fee to the local authority. The Masakane Campaign that the South African Government set up in 1995 to address the problem of non-payment has failed to solve the problem (Mashinini interview, July 10, 1997)

The Roodepoort Housing Project would not have happened without the direct influence and assistance of the Roodepoort Local Authority who provided R7 million for new housing construction along with the administrative and technical services that were needed to create a new township. In the Kwazamokuhle Project, the Local Authority is one of the three partners in this public-private partnership. This Local Authority quickly released large tracts of land for housing construction. The delay in the release of land by local authorities in South Africa has significantly impeded the delivery of housing in other areas.

As has been mentioned before, two of the case studies, The Johannesburg Housing Company and Seven Buildings are new rental housing stock. One of the goals of the National Housing Forum, which negotiated with the Government of National Unity in 1994 for the current market-based, state-assisted housing policy, recommended that the new government promote subsidized public rental housing stock (Narsoo interview, July 8, 1997).

Housing Associations And Support For Subsidized Rental Stock

In 1995, the government approved an Institutional subsidy that allowed any public institution, a non-governmental institution or the private sector to obtain the capital housing subsidy to build or renovate a completed rental unit, if the institution provided rental accommodation to beneficiaries who qualified for a government housing subsidy (Narsoo interview, July 8, 1997).

The government intervened in the rental housing market to encourage the entry of low-income households by supporting the development of official Section 21, Housing Associations throughout South Africa. The government also supported institutions that possessed many aspects of the non-profit housing associations such as the Johannesburg Housing Company, Seven Buildings and the Roodepoort Housing Project (Rakwadi and Fraser interviews, July 1997).

As of August 1998, each of the four housing projects, the Johannesburg Housing Company, Seven Buildings, Grinaker/Kwazamokuhle and the Roodepoort Housing Project were contemplating whether or not to become a housing association in the future.

Housing associations are non-state companies and not-for-profit. Housing associations have some advantages over State-provided public housing such as: (1) the ability to operate as specialist agencies to deliver affordable housing through the provision of technical services and building materials at low-cost; and (2) they are closely linked to the community so, they can adjust quickly to changing needs in housing and society (Reddy, p.136).

The National Urban Reconstruction and Housing Agency (NURCHA)

Seven Buildings would not have been successful without financing from the National Urban Reconstruction and Housing Agency (NURCHA), which is another supply-side government intervention. NURCHA guaranteed half of the loan from the Inner City Housing Upgrade Trust (ICHUT). NURCHA also gave Seven Buildings a grant of R70,000 to pay for professional help such as project managers, lawyers and skills training personnel.

The Central Johannesburg Partnership (CJP)

The Central Johannesburg Partnership was important to the success of the Seven Buildings, the Johannesburg Housing Company and other housing projects in the inner city of Johannesburg (Dauskardt, Narsoo, Tomlinson, Nyoni and Adler interviews, July and August 1997).

The CJP began in 1992 to investigate residential housing in the inner city of Johannesburg. Its main goal is to have 30% home ownership in Johannesburg's inner city by the year 2000. The organization is run on a tri-lateral basis by representatives of businesses in the Central Business District, inner-city residents and the local authority, the Greater Johannesburg Metropolitan Council.

The CJP has secured three agreements with the Local Authority to: (1) release State land for the Jeppe and Albert Street rent-to-own Housing Projects; (2) to support the formation of a housing association that will be an affiliate of the Johannesburg Housing Company; (3) to settle arrears of the Rates and Service fees between landlords and tenants in the inner-city (Fraser interview, p.2).

The National Home Builders Registration Council (NHBRC)

The National Home Builders Registration Council was established in 1995 as a “watchdog organization” for the construction and building industry in South Africa. Before the NHBRC, the building industry had been unregulated in South Africa (Doyle interview, August 8, 1997).

The NHBRC has enrolled 30,000 homebuilders to date including Grinaker Housing, which is involved in the Kwazamokuhle Housing Project and the Johannesburg Housing Company. All builders who operate using the capital housing subsidy for low-income housing are required to register. Homebuilders must subscribe to a standard builder’s warranty that forces builders to do repairs within 90 days, to correct roof defects within one year and major structural damage within five years. If they violate these standards, their license to build homes will be taken away. The NHBRC does on site inspections twice during the building of new homes.

To date, 500 complaints have been lodged against homebuilders, including several builders who operate under the capital housing subsidy scheme. None of the builders in these cases has complaints against them (Doyle interview, August 8, 1997).

The National Home Builders Registration Council (NHBRC) will play an increasing important role in the protecting all consumers of housing in South Africa but especially the poor.

SANCO, the South Africa Civic Association

The Johannesburg, Inner City Branch of the South Africa Civic Association played a key role in the success of the four case studies.

SANCO, which began in the 1980s as a community-based resistance movement against Apartheid, assists tenants with housing and resolving landlord's disputes throughout South Africa. The Johannesburg Inner City Branch of SANCO, which represents tenants in 4,000 units of housing, has forced slum landlords to sell their apartment buildings to tenants as in the Seven Buildings case study (Nyoni and Doyle interviews, July and August 1997).

Because of its tough reputation and sometimes harsh resistance tactics, SANCO has the power to stop any low-income housing development in South Africa, if it decides to. According to Hannes Engelbrecht, Manager of Mortgage Lending at FutureBank Corporation, other lenders and government officials, SANCO is partly responsible for the culture of non-payment in South Africa. This has made banks and financial institutions reluctant to lend or to engage in low-income housing.

SANCO has been particularly vocal about enforcing the Social Compact between the developer, the community and government. Since 1997, the Housing Department in Gauteng has tried to engage SANCO in its housing efforts especially since SANCO has indicated that it would like to become a housing association (Narsoo interview, July 8, 1997).

The Johannesburg Inner City branch of SANCO has more than 300 members that include tenants, landlords, and representatives of all of the political parties (The African

National Congress, Inkatha Freedom Party, Pan African Congress, National Party and Democratic Party). SANCO is an unusual organization – at sometime in its history it has been in conflict with its membership, particularly the landlords and the political parties.

A Description Of The Four Cases

Case One: Seven Buildings

Seven Buildings are seven renovated apartment buildings that are located in the inner city of Johannesburg. Some are close to the Central Business District and others are in Joubert Park. In the late 1980s, residents who were satisfied with the decay and poor maintenance in these buildings literally took them over. They physically occupied the buildings and refused to pay rent to the landlord. On November 30, 1995, after more than five years of organization and negotiation, the residents purchased these buildings from the landlord/owner for R5.9 million with money from the Gauteng Provincial Housing Board Institutional Subsidy scheme. The Seven Buildings Company own the buildings, which has one nominee shareholder. The Company represents the members of the Seven Buildings Project. It is managed by a Board of Directors, made up of elected representatives from each of the seven apartment buildings and professionals in the community.

Seven Buildings is an unusual South Africa success story. It is the first time in South African history that low-income, inner-city tenants have won ownership and control of their own buildings (Alberts and Reid interviews, July 1997). Therefore, residents have an incentive to improve their buildings. This also helps to stop urban

decay that is plaguing many of Johannesburg's inner-city buildings. The purchase also helps landowners who are faced with the loss of their property due to non-payment of rents and disgruntled tenants who occupy apartments and refuse to move.

7 Buildings met the criteria of affordability in South Africa, which is delivery of low-income housing using the Government subsidy and bridging capital.

The successful financing for the renovation and upgrading of Seven Buildings was innovative and non-traditional. It was paid for by a R4.5 million loan from the Inner-City Housing Upgrade Trust (ICHUT), a non-profit organization. The loan is for the upgrading of Argyle Court, Branksome Towers, and Coniston court, Manhattan Court, Margate court, Protea Mansions and Stanhope Mansions. The loan is the first of its kind in South Africa made to residents who own their building. Since ICHUT offers only short-term loans, one of the conditions of the loan is that the banks agree to take over their loan after two years. ICHUT has agreed to release the money incrementally on condition that residents in each building pay their monthly rents and that they meet the requirements given by the bank. These conditions are: Seven Buildings must be able to afford to pay back the interest on the loan; the buildings must be well maintained and managed; that renovation will increase the value of the buildings; that regular financial statements are provided; and that a record of monthly payments for every apartment is kept.

The National Urban Reconstruction and Housing Agency (NURCHA) guaranteed half of the ICHUT loan to the 7 Buildings project. The guarantee is for R2 million for two years. After this time, NURCHA will judge the Project's performance and decide

whether to extend the guarantee to cover the future bank loan. A condition of the guarantee is that NURCHA can appoint a board member to the Board of Directors of the 7 Buildings Company. NURCHA also gave 7 Buildings a grant of R70,000 to pay for professional help such as project managers, lawyers and skills training personnel.

Seven Buildings' success can also be attributed to appointing good management consultants from Uptown Projects, a non-profit company. Uptown Projects was responsible for the project design, negotiation of the purchase and raising of finance for the upgrading (Cope interview, July 1997). It also set up the management structures of the company, and acted as the liaison with the property Management Company that collects the residential rentals.

User satisfaction was high among beneficiaries from Argyle Court, Manhattan Court and Protea Mansions who were interviewed for this study. Some of them stated that being able to purchase their building after years of struggle was a miracle and that being able to upgrade their building was "icing on the cake". Tenants were happy about the improvements, which included installation of sewage pipes and water tanks, repair of leaking roofs, and waterproofing, the replacements of windows, doors and toilets and installing an attractive security gate around these properties. The companies involved in the upgrading also attributed high user satisfaction to the fact that Seven Buildings employs about 40 of its tenants and another 38 tenants are sub-contracted. Many of the tenants are receiving training in electrical, plumbing and basic administrations. These skills will help them obtain better employment in the future.

Case Two: The Johannesburg Housing Company (JHC)

The Johannesburg Housing Company, formed in 1995, is a non-profit local institution that has been a developer of affordable new rental stock and rent-to-own housing. Its delivery approach has taken the new housing association route that is supposed to focus equally on delivery and institutional capacity building (Johannesburg Housing Company Annual Report 1996, p.1) The projects of the Johannesburg Housing Company are joint-ventures with NewHco, the New Housing Company, another non-profit, which is a leading developer of low income housing in South Africa and Grinaker Housing, a private contractor/developer.

The Johannesburg Housing Company including rental and rent-to-own offers several tenure options. It has over 500 units of housing including new-three story walkups; converted commercial buildings; renovated residential buildings; and new detached and semi-detached houses on Greenfield sites. All of its projects are located in or near the inner city of Johannesburg. So, in addition to providing shelter, the Johannesburg Housing Company is assisting in urban renewal and in desegregating Johannesburg.

The stakeholders equally share the risks. NewHco provides capital and technical support and is contemplating paying for resident social services on three of the Johannesburg Housing Company's housing sites. This would be a great asset for the Johannesburg Housing Company. Most housing projects in South Africa don't provide on-site social services for their residents. Grinaker Housing has assumed some of the financial risks associated with construction as well as providing construction skills and

management training in the Jeppe Oval project (Johannesburg Housing Company Annual Report 1996, p.7).

The local authority, the Greater Johannesburg Metropolitan Council (GJMC) also shares the risks by giving and releasing land for the housing projects and providing bulk infrastructure. As of August 1997, the GJMC was trying to set up a housing fund specifically for the Johannesburg Housing Company because of its successful housing projects (Reid interview, July 1997). The JHC would be able to use this Housing Fund for future expansion into Fordsburg and other areas (Adler interview, July 1997).

All of the JHC's housing projects have been delivered on time, unlike other housing projects in South Africa and there have not been cost overruns (Cope interview, July 1997).

The success of the Johannesburg Housing Company can also be attributed to securing sufficient financing for all of its projects and having broad-based community support. Much of the financing came from the capital Institutional Subsidy, JHC's shareholders' fund and its partners in this public-private partnership. JHC's managing director, Taffy Adler and its board of directors are well respected in the banking community and in the community at large (Fraser and Wright interviews, July and August 1997). JHC's supporters include the Civic Association of Johannesburg, the South African Black Contractors Association, the Building Industries Federation of South Africa, Kagiso Trust and the European Union.

The Johannesburg Housing Company's success is also due to the expert skills of its management team (Cope interview, September 1998). It provides sound management

and acts as the liaison with the community. This is in contrast to most rental housing in Johannesburg's inner city which is poorly managed and maintained (Reid interview, July 1997). This has led to decay, overcrowding and non-payment of rent (Reid and Ally interview, July 1997). Thus, JHC's greatest assets may be its management team which also trains beneficiaries about housing finance. The Johannesburg Housing Company has a resident caretaker on staff and it contracts out cleaning and security services to emerging black businesses (Adler interview, July 1997). Moreover, JHC's management team has a good working relationship with SANCO, the South African Civic Organization, which has sometimes been an obstacle to housing delivery in South Africa.

The success of JHC is also connected to allowing community participation during the planning and construction phases of its housing projects. It has also been successful in managing and administering all of its properties (Narsoo interview, July 1997) JHC has an equal focus on tenant management, small contractor business management and skills building of its tenants. All three are critical to its success. Interviews with emerging builders showed that the JHC has a good relationship with them. This is not true of many housing development/delivery systems in South Africa.

Interviews were conducted with some of the beneficiaries in JHC's housing projects. User satisfaction was high. Beneficiaries stated that their apartments were well sized and of high quality. The incomes of all of the tenants in the projects were below R3,500 per month, which is the upper limit of the capital housing subsidy. Most of the tenants interviewed were domestic workers who have incomes of R1,000 per month.

Rentals for the 1-2-bedroom apartments are for households with incomes of R2,000 per months. The range of all rentals is from R250 to R850 per month.

User satisfaction can also be measured by the 100% rental collection return rate of the tenants (Adler and Cope interviews, July 1997). Separate documentation produced by an independent development consultant and the Department of Housing for Gauteng Province showed that most of JHC's properties have 100% rental collection return.

The Johannesburg Housing Company believes that it may face more risks in the future in terms of the rental housing market, and the technical and financial aspects of housing (Adler interview, July 1997). JHC also faces ongoing risks with vacancies, defaults, operational costs and renovation but thus far it has not experienced most of these problems (Adler interview, July 1997).

Case Three: The Roodepoort Housing Project

Roodepoort is located on the West Rand in Gauteng Province.

The Roodepoort Housing Project is a joint venture between the Local Authority in Roodepoort (which is in the Western Metropolitan Substructure of the Greater Johannesburg Metropolitan Council), Stocks and Stocks, one of the two largest private developer of housing in South Africa, Grinaker Housing, another large private contractor/developer and the residents in the community. These stakeholders share the risks. The Roodepoort Housing Project is in the process of completing two major housing developments that will result in the creation of two new townships in South Africa

Project I, the Slovoville Project is named after the late Joe Slovo, who was South Africa's first Minister of Housing in post-Apartheid South Africa and former president of the South African Communist Party. The beneficiaries in the Slovoville Project are among the poorest in South Africa with income of zero to R800 per month. Most of these beneficiaries are the homeless, the elderly, migrant laborers and victims of ethnic violence.

The housing in Slovoville will be an 18 square meter "shell" home with water and sewage. It will have a steel reinforced foundation and will be located in a less formal township on a 200 square meter stand (Leonsis interview, July 31, 1997 and Stocks & Stock data). As of August 1997, there were 1,400 homes in development.

The financing of Slovoville was sufficient. The pricing of the housing was R17,250, utilizing the Project-Linked government-housing subsidy. No external financing or bridging capital was needed.

The beneficiaries in the Slovoville Project said they are satisfied with their houses, and the tarred roads that are being completed. Most of the beneficiaries had previously lived in squatter area or had been homeless – many had never experienced the "luxury" of having a literal roof over their heads. Beneficiaries also liked the fact that Black emerging contractors are involved in the construction of Slovoville.

Project II, called Flakfontein, is a Gauteng Pilot Project for which the Roodepoort Council and Local Authority purchased 64 white-owned, private farms to acquire the land for housing development. R19 million in government subsidies and R7 million from the Roodepoort Local Authority provided the financing for the project. Initially, the

power brokers in the Gauteng Provincial Government discouraged the Roodepoort Council from approaching the white farmers in the area because of the tensions associated with the Land Reform Program. The Roodepoort Council, which was led by an optimistic and charismatic mayor, did not experience any problems with the white farmers. The white farmers were willing to sell their land because their farms were not productive. At the completion of Flakfontein in 1999, 18,000 units of 25-30 square meter starter homes will be delivered. These 2-room structures have flush toilets, a kitchen point and a sink. In addition, a R5 million community center will be provided.

The success of these two projects can also be attributed to the exceptional organization skills of the Councilor of Roodepoort and the Roodepoort Housing Project Committee who took the initiative to develop housing without much initial encouragement from the government or from developers (Mashinini interview, July 1997). The Councilor of Roodepoort and the Project committee has made the housing needs of the community the priority and refrained from engaging in power struggles at the local level over housing delivery. This has delayed or stopped low-income housing development throughout South Africa. The Councilor of Rooderpoort is industrious, hard-working and optimistic. The Roodepoort Council minimized bureaucratic red tape to release land and register the two new townships in a timely manner. Also, the Councilor and Council have worked well with the two major developers, Stocks and Stock and Grinaker Housing (Leonsis and Backus interviews, July and August 1997).

The Roodepoort Council provided land for this project for the construction of 2,000 units of 30 square meter starter homes. These two-room houses are constructed so

that they can be expanded later by the beneficiaries. The Roodepoort Local Authority provided bulk infrastructure including water, sewage and tarred roads. More than 1,400 emerging builders are employed in this project.

Although, the developers, civic organization and one non-governmental agency working with the Project reported that user satisfaction was high, I was unable to interview beneficiaries because of the escalation of violence by political rivals in the area near Roodepoort. The political violence is unrelated to housing delivery.

Case Four: Kwazamokuhle Housing Project

Kwazamokuhle Housing Project is a joint venture between Grinaker Housing, a large private developer/contractor, the Gauteng Department of Housing, the Local Authority and the community. To date, 900 units of starter homes have been completed and 5,000 additional units are under construction. Eighty-five percent of the starter homes are 25-30 square meters with no electricity. Fifteen percent of these homes are 54 square meters. The starter homes have three walls and no floor. Sweat equity is used and most of the beneficiaries are required to provide some type of labor.

No external financing was required for this project. The housing was entirely financed by the Project-Linked government subsidy and Grinaker Housing.

Kwazamokuhle Housing Project provided videotape detailing the housing development and construction from the planning phase to the handover to beneficiary's phase. This was done because interviews could only be scheduled during their monthly committee meetings, which the writer of this thesis was not able to attend. On the videotape, beneficiaries of the completed housing units expressed high satisfaction with the housing

and potential beneficiaries of the uncompleted housing units were enthusiastic about the showcase housing they had seen.

According to Steve Backus from Grinaker Housing, Kwazamokuhle Housing Project did not experience the problems usually associated with housing development in Gauteng Province. There were no strategic difficulties between the provincial and local authorities, nor was there political instability in the areas or problems related to security of the workplace on the construction site. SANCO cooperated with this housing project and did not try to delay or stop the project.

Reasons For The Success

All of the four cases were able to obtain sufficient housing finance for housing development, construction and renovation and administration from other sources, in addition to the capital housing subsidy. The Johannesburg Housing Company had support from the European Union. Seven Buildings received a R4.5 million loan from the Inner-City Housing Upgrade Trust (ICHUT), a non-profit organization. The Roodepoort Local Authority invested R7 million for new housing construction in The Roodepoort Housing Project. No external financing has been required in the Kwazamokuhle/Grinaker joint venture because Grinaker Housing assumed the R2,250 per unit difference between the costs and the capital housing subsidy of R15,000.

User satisfaction was above average in all of the four case studies, which is rare in South Africa today. Recently, many housing projects have been delayed or stopped because of problems with the Social Compact between the developer, the community and the State. These types of problems were minimized in the four case studies because of successful negotiation with the community and SANCO when problems arose.

Furthermore, in all of the four cases, the poor were targeted as beneficiaries. Copies of subsidy applications, project management reports and data from the Gauteng Department of Housing receipts showed that the income of beneficiaries in all four cases was between R800 and R2500. This met the income qualification criteria for low income housing, in the capital subsidy program. Most importantly, as has already been mentioned in Chapter II of this thesis, there was no evidence of “downward raiding”

where middle-income households receive housing that was intended for low-income households.

The three main factors that contributed to success in all four case studies were: (1) innovative and sufficient financing arrangements; (2) efficient project development management (from the application of the capital subsidy right through the transfer of the housing product to the end-user; (3) sufficient but limited levels of community participation coupled with consumer education about home ownership, beneficiaries rights and beneficiaries obligations.

Success can also be attributed to the small-scale of the four housing projects, except for Kwazamokuhle Project.

CHAPTER V CONCLUSIONS AND RECOMMENDATIONS

According to President Nelson Mandela, housing is the second most urgent problem facing the new South Africa after crime. The African National Congress, which is the dominant political party in the Government of National Unity, reneged on its pre-election promise that one million houses would be built during its first five years in office. There is a backlog of houses that has been estimated to be 3 million units. In addition, 200,000 new units per annum will be needed for new households between 1995 and the year 2000 (Housing White Paper, p.8). Given the low rates of housing delivery, the South African Government expects that the housing backlog will increase at 178,000 units per year from 1995 to 2000 (Housing White Paper, p.11).

Since South Africa is falling short in meeting its housing needs, something is required to move the process along. Joint ventures between the public and private sectors are important for resolving South Africa's housing crisis because the Government of National Unity, by its own admission, has limited capacity to deliver housing.

In the course of doing this thesis, I identified major lessons about how improvements to the housing delivery process could occur and about how the housing challenge can be met in South Africa through public/private partnerships. The first lesson is that public and private sector partnerships are essential to housing delivery in South Africa. These joint-venture partnerships are needed because the transition period that South Africa is still undergoing is characterized as a risky environment for housing due to political, financial, administrative and social factors. These principal risks are undertaking and financing affordable housing, administrative problems with the capital housing subsidy, the threat of beneficiary rejection of housing due to unrealistic expectations and political uncertainty. The four case studies showed that the principal risks that

are usually associated with housing in South Africa were not major obstacles to housing delivery in the four housing projects that were studied in the thesis.

In the 1980s, banks and other financial institutions stopped lending to Black townships because of mortgage bond boycotts and civil unrest that was part of the Black majority's opposition to Apartheid.

In the early 1990s, large property development companies in South Africa, which could easily produce millions of houses to meet demand, withdrew from the low-income housing market. Their withdrawal was caused by uncertainty in the low-income market because of dwindling profit margins and confusion about the anticipated capital subsidy payment procedure from the new Government of National Unity, political risks, the high crime rate, and high interest rates.

It is ironic that during this same period property development companies in South Africa, most of which are subsidiaries of large construction companies, built affordable housing in East Africa and other parts of Sub-Saharan Africa, Indonesia and Malaysia through public-private joint ventures with these foreign countries (SARDA, p.17).

Although it is possible that these companies overestimated risks in South Africa, it is generally believed in South Africa that the primary motivation for them leaving South Africa was for larger profit margins elsewhere. In the early 1990s, the construction industry tried, unsuccessfully, to convince the South African Government to build massive public rental housing. They did this because they thought, at the time, that the small capital housing subsidy would not give them enough profit (Leonsis and Backus interviews, July and August 1997).

Nevertheless, the South African Government needed to do something to encourage South African companies to get involved in their own country in low-income housing. The creation of

public and private joint ventures in housing was done to secure their involvement in low-income housing. An agreement between government and mortgage lenders called the Record of Understanding helped to facilitate public/private joint ventures. The former Minister of Housing Joe Slovo and the Association of Mortgage Lenders in South Africa signed the Record of Understanding in 1994. In this agreement, mortgage lenders committed themselves to return to the low-income housing market if the government persuaded Black people in the townships to stop the mortgage bond boycotts. Another major term in this agreement indemnified banks against mortgage bond boycotts that were caused by political unrest. This was done through the Mortgage Indemnity Fund established by the government in 1995.

In July 1997, the South African Residential Developers Association told the Minister of Housing, Mthembu-Mahanyele they believed that the above-mentioned risks could be minimized through public-private joint ventures in housing because risks would be shared between the public and private sectors (Leonsis interview, July 1997).

The main goal of these joint venture partnerships is to make it more attractive for the private sector to deliver low cost housing by reducing risks (of the private sector not making profit) caused by political, administrative and commercial factors.

In the four case studies, the private sector was assisted in the delivery of low-cost housing through: (1) the South African Government playing the role of facilitator and providing the Capital housing subsidies; (2) four supply-side interventions (largely created and financed by the South African Government) which supported low-income housing: the Mortgage Indemnity Fund, the National Housing Finance Corporation, the National Urban Reconstruction and Housing Agency, and the National Home Builders Registration Council; (3) the direct assistance and intervention of Local Authorities in various ways that included rapidly releasing State land

and buying private farmland (in the Roodepoort Housing Project) for housing provision; (4) the cooperation of SANCO, the South African Civic Organization which constructively engaged in the delivery process rather than hindering it; (5) having the support of the Central Johannesburg partnership, an organization that supports public-private partnerships.

Furthermore, in the four successful housing projects studied in this thesis, Stocks & Stocks and Grinaker Housing, which are two of the top three private developers of all housing in South Africa, were major participants in the joint-venture partnerships. Their participation was crucial to success in the cases and their involvement will be important in the future because they have the expertise that is needed to deliver low-income housing, particularly in large-scale housing projects.

The Role of Social Compacts

Another major lesson learned is that social compacts can be difficult to carry out. The new South African Housing Policy implemented in 1994 required that an agreement had to be signed by beneficiaries, the developer, the Local Authority and other stakeholders before the government would subsidize a housing project. The social compact required that the beneficiaries, the developer and the Local Authority must be in agreement on the goal of the housing project and how it was to be carried out. It is usual in South Africa for these “social compact agreements” to fall apart at the last minute because of the underlying residual mistrust by all parties that is a legacy of Apartheid. This means that the approval of housing subsidies is usually delayed. Further, beneficiaries may become impatient with the slow pace of housing construction and claim that the community leader who signed the social compact did not have the consent of the beneficiaries. The leadership, in such circumstances, is often rejected and replaced by residents in the community. Again, this causes delays in housing delivery.

Gauteng Province is particularly troublesome regarding social compacts for reasons that the key stakeholders in housing have not sufficiently explained. Mary Tomlinson, an expert on South African's Housing policy stated that in Gauteng Province "the social compact has become all things to all people and communities have taken it to mean that they can use the process, for as long as it takes, to get total agreement around what will be delivered, ignoring the cost of the time it takes to gain this" (Tomlinson, p.21).

However, in the four case successful studies (all in Gauteng Province), the social compact stayed in tact from the first phase when subsidy applications were approved through the final handover stage when housing was delivered to beneficiaries. In most housing projects in South Africa that utilize the Capital housing subsidy, the social compact has not held for. It has been difficult in other housing projects to obtain agreement among beneficiaries and their leaders on what kind of housing development should take place. In addition, there may be friction between homeless peoples groups over the project or discord with communities that do not want low-income housing projects located near their neighborhoods. In many cases, these communities lack the conflict resolution skills to solve the conflicts.

Another lesson learned is that the Provincial Government administration in the Department of Housing needs to be streamlined, particularly in the processing of subsidy applications. Housing delivery in the four case studies in this thesis proceeded in a timely manner because subsidy applications were processed on time.

The Emergence of a Building Sector

A third lesson learned is that the relationship between established and emerging builders (from disadvantaged communities) needs to be improved in South Africa. In the Roodepoort

Housing Project and Kwazamokuhle Housing Project, especially, the good working relationship between the established and emerging builders contributed to the success of these cases.

The Needs of Residents

A fourth lesson learned is that the needs and expectations of beneficiaries need to be dealt with by all stakeholders in housing delivery. In the Seven Buildings Project, for example, when beneficiaries expressed various concerns ranging from securing their apartment buildings with gates and fencing to overcrowding by hawkers on the streets and street crime, their concerns were dealt with by the housing manager and the Local Authority. This responsiveness is important because the previous Apartheid Local Authorities did not acknowledge or try to meet the needs of the Black majority for municipal services.

The Management of Risk

A fifth lesson learned is that housing development and delivery risks need to be shared more equally by public and private partners. In the four case studies, the public sector appears to be sharing most of the risks particularly in financing and guaranteeing low-income housing.

Finally, more joint ventures between the private and public sectors need to be encouraged in South Africa to build low-income housing on a large-scale to meet demand. This represents a powerful lesson for meeting housing needs.

There are many implications from this thesis about the role of local authorities in housing delivery in South Africa. First, local authorities must be willing to take the political risk of involvement in housing delivery, particularly in areas where there is conflict between the stakeholders in housing, such as in Gauteng Province, the location of the four case studies in this thesis.

Second, since the role of the Provincial Housing Boards in the approval of projects and use of housing funds is being reduced, the housing program is being brought under the control of municipalities, which may not be equipped either administratively or financially to deliver housing. Some municipalities are almost bankrupt because million of Rand are in arrears for non-payment of the Basic Service Fee. These arrears date back to the 1980s.

Government officials and non-governmental organizations estimate that only thirty municipalities out of over 800 can deliver low-income housing in South Africa because of this and other fiscal problems. The Greater Johannesburg Metropolitan Council (GJMC) and the Roodepoort Local Authority (a sub-structure of the GJMC) in these case studies have greater fiscal, technical and administrative capacity than most local authorities in South Africa. There is progress in building capacity such as the LISC organization does in the United States.

The establishment of Housing Associations at the Provincial and Local levels is another way to help meet the housing challenge in South Africa. The National Housing Finance Corporation, a parastatal that has already been described in this thesis, can finance Housing Associations, which allow the private and public sectors to become bulk buyers of new housing stock. Housing Associations are non-profit, tax-exempt companies that would provide technical services and building materials at low-cost. In this approach, end users would also receive financing for housing.

The main objective of Housing Associations would be large-scale delivery of low-income housing. This would require a paradigm shift from process toward product and the participation of beneficiaries would be minimized.

Non-governmental organizations (NGOs) in South Africa are expected to play a major role in the development of Housing Associations because of their expertise in the past of supplementing and building capacity at the community level.

Broader Lessons

It would be difficult to apply most of the lessons learned about the delivery of low-income housing in South Africa to other countries in developing countries (or in the developed world) without carefully noting context because the experiences, histories, contexts and economies are so different from those of South Africa.

In addition, there is great variation between continents (and within continents) with respect to housing development and delivery. For example, the delivery of low-income housing in the United States or in Nigeria or in Thailand would not be the same as in South Africa. In the developed world there would be higher levels of sophistication with respect to institutional structures, financial mechanisms, etc. The reverse would be true in some developing countries.

There are two lessons from South Africa that could be applied elsewhere. First, that the emphasis in low-income housing delivery should be on developing partnerships, strategies, approaches or initiatives that create capacity rather than solely on the production of housing. With the present capacity existing capacity is almost always inadequate. Creating capacity is a first priority. Second, that more than one approach to low-income housing is necessary to meet the range of needs of poor households, particularly in urban areas. Therefore, many different housing forms tenure arrangements and delivery agents need to be encouraged to achieve low-income housing.

South Africa is slowly making some progress towards solving its housing crisis that is tremendous. However, the success of South Africa's housing strategy will depend on the

commitment and cooperation of the key stakeholders in housing delivery, linkages among developers, banks, the construction industry, and the three tiers of government and community-based associations.

LIST OF INTERVIEWEES

Adler, Taffy, Chief Executive Officer, Johannesburg Housing Company, Limited. Interview by Beth A. Burris, July 16, 1997, Johannesburg, South Africa.

Alberts Renee, Attorney-at-Law, Hofmeyer Herbsteins, Interview by Beth A. Burris, July 30, 1997, Johannesburg, South Africa.

Ally, Ashley, Executive Officer, Metropolitan Urban Policy and Strategy, Greater Johannesburg Metropolitan Council. Interview by Beth A. Burris, July 10, 1997, July 30, 1997 and August 15, 1997, Johannesburg, South Africa.

Backus, Steve J., Grinaker Housing. Interview by Beth A. Burris, August 5, 1997, Johannesburg, South Africa.

Brand, David, Project Director, Badiri Housing Association. Interview by Beth A. Burris, July 16, 1997, Johannesburg, South Africa.

Cope, Clive, Management Director, Uptown Housing Projects. Interview by Beth A. Burris, July 29, 1997, Doornfontein, South Africa and September 1998, Cambridge, Massachusetts.

Councilor Lindsay Bremner, Chairperson-Planning and Urbanization Committee, Greater Johannesburg Metropolitan Council. Interview by Beth A. Burris, August 13, 1998, Johannesburg, South Africa.

Dauskardt, Rolf, Chief Director Policy Development and Implementation, Gauteng Provincial Government. Interview by Beth A. Burris, July 14, 1997, Johannesburg, South Africa.

Doyle, Padraic, National Home Builders Registration Council. Interview by Beth A. Burris, August 8, 1997, Johannesburg, South Africa.

Engelbrecht, Hannes, Manager, Mortgage Lending, FutureBank Corporation. Interview by Beth A. Burris, August 11, 1997, Parktown (Johannesburg), South Africa.

Fraser, Neil, Executive Director, Central Johannesburg Partnership. Interview by Beth A. Burris, July 22, 1997, Johannesburg, South Africa.

Leonsis, Alex, Managing Director, Affordable Housing Construction, Stocks & Stocks. Interview by Beth A. Burris, July 31, 1997, Sandton, South Africa.

Mashinini, Tshepiso, Strategic Executive, Metropolitan Planning, Urbanization and Environmental Management, Greater Johannesburg Metropolitan Council. Interview by Beth A. Burris, July 10, 1997, Johannesburg, South Africa and July 24, 1997, Pretoria, South Africa.

Mdalose, Patrick, SANCO, Director, Housing Development, South Africa Civic Association, Johannesburg Inner City Branch, Interview by Beth A. Burris, August 11, 1997, Johannesburg, South Africa.

LIST OF INTERVIEWEES (continued)

Mjekula, Ayanda, Assistant General Manager Home Loans Credit, Standard Bank of South Africa. Interview by Beth A. Burris, August 14, 1997, Johannesburg, South Africa.

Morris, Alan, Professor, University of the Witwatersrand, Sociology Department. Interview by Beth A. Burris, August 18, 1997, Braamfontein, South Africa.

Musi, Lawrence, Risk Manager, Operations, National Housing Finance Corporation, Ltd. Interview by Beth A. Burris, July 30, 1997, Parktown, South Africa.

Narsoo, Monty, Director of Housing Policy and Administration, Gauteng Provincial Government, South Africa. Interview by Beth A. Burris, July 8, 1997, Johannesburg, South Africa.

Nell, Mathew, Development Consultant. Interview by Beth A. Burris, August 12, 1997, Braamfontein, South Africa.

Nyoni, Pressage, Manager, Seven Buildings, Interview by Beth A. Burris, July 14, 1997, July 21, 1997, and August 1, 1997, Joubert Park, South Africa.

Rakwadi, Ethel, General Manager, Operations, National Housing Finance Corporation, Ltd. Interview by Beth A. Burris, July 30, 1997, Parktown, South Africa.

Reid, Graeme A., Executive Officer, Metropolitan Facilitation and Implementation Services, Greater Johannesburg Metropolitan Council. Interview by Beth A. Burris, July 10, 1997 and August 15, 1997.

Shubane, Khehla, Senior Researcher, Center for Policy Studies. Interview by Beth A. Burris, July 1997, Doornfontein, South Africa.

Councilor J.G. Steeneveldt, Roodepoort and Chairperson-Integrated Urban Planning and Housing Committee, Western Metropolitan Substructure of the Greater Johannesburg Metropolitan Council. Interview by Beth A. Burris, August 8, 1997, Johannesburg, South Africa.

Tomlinson, Mary R., Senior Research Consultant, Center for Policy Studies. Interview by Beth A. Burris, July 1, 1997, Doornfontein, South Africa.

Wright, Dave, Senior Manager, Credit, Home Loans Division, Standard Bank of South Africa, Interview by Beth A. Burris, August 14, 1997, Johannesburg, South Africa.

Please note:

Beneficiaries of low-income housing in the case studies in this thesis were interviewed. To protect their identities, their names are not listed.

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