

# Some observations on informal subsidised housing market in Cape Town

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Peer reviewed and revised

## Abstract

One of the primary benefits of homeownership in an expanding market economy is that of wealth creation through the capital appreciation of the dwelling unit. In many market economies, homeowners have most of their personal wealth tied up in the house in which they live, making homeownership preferable to rental. The housing subsidy in South Africa is built on the premise of building units for the amount of the subsidy using the model of one-house one-plot, and making the subsidy available to people in the lowest income group. While the selling of non-subsidised properties is an accepted practice in the property market, it does raise important and new questions in the case of the subsidised housing. Selling of subsidised units, in many instances, starts within months of taking possession of the unit and at a price below the replacement value. The article attempts to respond to the following questions: How prevalent are the sales of subsidised housing? How are the units sold: legally or illegally?

The study was conducted in the Cape Town Metropolitan area. One important finding was that most of the transactions happening with the subsidised housing are illegal transactions. The research also shows that the benefits gained by homeownership in the low-income communities does not lend to secure tenure and does not render the same benefits as higher income groups. The findings should encourage the government to introduce more appropriate housing options and alternatives to homeownership.

## KOMMENTAAR OOR INFORMEEL GESUBSIDIEËRDE BEHUISING IN KAAPSTAD

Een van die primêre voordele van huiseienaarskap in 'n groeiende ekonomiese mark is die skepping van rykdom deur die kapitale waardasies van die wooneenheid. In baie ekonomiese markte het huiseienaars al hulle persoonlike rykdom in die huis waarin hulle woon belê en verkies hulle om huiseienaars te wees in plaas daarvan om 'n woning te huur. Die behuisings-subsidie in Suid-Afrika is baseer op die veronderstelling dat bou-eenhede vir die bedrag van die subsidie volgens die model van een-huis een-erf bereken word, en die subsidie dan gegee word aan mense in die laagste-inkomste groep.

Terwyl die verkoop van nie-gesubsidieerde eiendom 'n aanvaarbare praktyk in die eiendomsmark is, veroorsaak dit belangrike en nuwe vrae in die geval van gesubsidieerde eiendom. Die verkoop van gesubsidieerde eenhede, in baie gevalle, begin binne maande nadat die eiendom in besit geneem is en teen 'n prys laer as die vervangingswaarde. Die artikel poog om antwoorde te gee op die volgende vrae: Hoe algemeen is die verkoop van gesubsidieerde huise? Hoe word hierdie eenhede verkoop – wettig of onwettig?

Die ondersoek is gedoen in die Kaapstad Metropolitaanse area. Een belangrike bevinding was dat die meeste van die transaksies wat plaasvind met die gesubsidieerde huise onwettig is. Die navorsing wys verder dat die voordele gekry uit huiseienaarskap in die lae-inkomste gemeenskappe waarborg nie versekerde eiendomsreg nie en lewer nie dieselfde voordele as vir die hoër inkomste groepe nie. Die bevindinge behoort die regering aan te spoor om meer toepaslike behuisingsopsies en alternatiewe aan eienaars beskikbaar te stel.

## EZINYE ZENGQWALASELA KWEZOQOQOSHO LOPHOHLISO LWEZINDLU E KAPA

Enye yeenzuzo eziphambili kubantu abanemizi kuqoqosho okukhulayo kukwakhiwa kobutyebi ngokukhulisa ixabio lendlu leyo. Kwindawo ezininzi zoqoqosho oluvulelekileyo, abanini zindlu bayebazifumane bekwimeko yokuba bonke ubutyebi babo bubopheleke kwindlu leyo, nto leyo ethi yenze ukuba banyanzeleke ukuba indlu leyo baqashise ngayo. Ubonelelo ngezindlu e Mzantsi Afrika lwenziwa ngokuthi kwakhiwe indlu elingana nexabiso lobonelelo kwinto ebizwa ngokuba "yindlu enye kwisiza esinye", izeke lonto yenze ukuba abantu abarhola kancinci baxhamle kubonelelo ngezindlu. Lo gama intengiso yezindlu ezingaphandle kobonelelo ngezindlu iyinto eyamkelekileyo kwi marike zezindlu, ithi iveze imibuzo ebalulekileyo nemitsha kwimiba yentengiso yezindlu eziphantsi kwesibonelelo. Intengiso yezindlu eziphantsi kwesibonelelo, kumathuba amaninzi, iqalisa kwisithuba seenyangana emva kokuba buqalile ubunini bendlu ngexabiso eliphantsi. Eli ngoku lilinge lokuphendula le mibuzo ilandelayo: Kuxhaphake kangakanani ukuthengiswa kwezindlu zesibonelelo? Zithi ezizindlu zithengiswe njani? Ngokusemthethweni okanye ngokungekho mthethweni?

Uphando luthi lwenziwa ku Masipala Ombaxa wase Kapa. Uphando lufumanise ukuba inkoliso yentengiso yezindlu zesibonelelo iye yenziwe ngokungekho mthethweni. Uphando lukwafumanise ukuba abanini-zindlu zesibonelelo kuluntu olunemivuzo ephantsi alude lubengabanini-mhlaba yaye abona bantu baxhamlayo ngokubabanzi ngabantu abanemivuzo engcono. Eziziphumo zophando zimele ukuba zimkhuthaze u Rhulumente okokuba avelise ezinye iindlela ngendlela ezingezinye ngokufanelekileyo zobunini zindlu.

## 1. INTRODUCTION

Housing, as a basic need for all, is among the top priorities of the current government in South Africa. The Department of Housing is actively involved in many schemes to provide basic shelter for the previously disadvantaged population<sup>1</sup>. One of these schemes, as practised in many developing and developed countries around the world, offers subsidy to encourage homeownership. A

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<sup>1</sup> 'Previously disadvantaged' is used to describe the non-white population, disadvantaged during the apartheid regime in South Africa.

benefit of homeownership in an expanding market economy is the appreciation of capital invested in the dwelling unit, hence, wealth creation. Homeowners usually have most of their investments in their home where the capital is believed safe and continues to grow in value.

The housing subsidy scheme in South Africa provides a 'once-off' capital subsidy to enable poor households who have not previously owned property to get access to housing. In fact, subsidies in housing are designed to help speed up the process of homeownership among the poor. In most countries, housing finance represents a hurdle to the poor; it is more so in developing countries. In Ghana, for example, only five percent of the low-income population - buying land from the government - are able to obtain finance from a formal institution, (Asiama, 1984). Undoubtedly, the implementation of subsidised projects aims at relieving the finances of the poor, a matter that is in a definite need for support. The International Development Research Center (IDRC) 1992, in their research on South African cities during the transition period, identified housing for the previously disadvantaged as a major problem in these cities. The targeted group for housing finance, was currently noted, as "below middle-income" households, thus leaving a gap of financing of housing for the low-income population. In order for the family to buy a house, they need to be able to have access to finance. The low-income population rarely, if ever, has access to formal finances, such as mortgage finance. They rely on limited personal savings or money from relatives as gifts or loans. Lending institutions deal mainly with low-middle income groups (Mitlin, 1997). To this day, there has been little attempt by lending institutions to discuss innovative financial initiatives to address financing possibilities to the low-income population. Lending institutions could allow low-income access to mortgage, but the government might have to back these loans.

With poverty being widespread in South Africa, providing a housing subsidy presents a solution. It is given to people of proven need and deprivation. However, as will be discussed, the scheme falls short of achieving its main set goal of alleviating the housing

problem. While intended to help the low-income to establish their ownership of their homes and to improve the recipients' poor living conditions, subsidies move in a different direction when implemented. This article will present the realities of subsidised housing in two settlements situated in the city of Cape Town, South Africa. The objective is to examine the benefits of such schemes in the local context.

As per the *South African State of our Cities report*, released in 2006, the Cape Metropolitan Area (CMA) has a population of 2.9 million. The majority of the population are non-whites with a poverty level of 44 percent (earning less than R 1500) (CMC, 2000a). The economy of the city has been growing higher than the national average of 2.1 percent at 2.6 percent (City of Cape Town, 2001). Cape Town is the tourist destination in South Africa and its economy is expected to keep growing.

The research builds on a survey conducted in two formal housing settlements built by the local authorities using the subsidy money. It reveals that housing contributes, to some extent, to alleviating financial needs but only when sold, which is not the intention of the policy. The article will also examine the reasons behind the sale and whether these sales are conducted through the deeds office or not. It will conclude with some implications and recommendations for the current housing policies.

## 2. SUBSIDISED HOUSING IN SOUTH AFRICA

Generally, subsidised housing is intended to improve the living conditions of the poor by providing them with ownership of a basic suitable shelter. Due to the fact that the subsidy is limited and generally not sufficient for

building a complete dwelling unit, it is rather invested in a nucleus of a unit (a starter unit). That unit can be, and usually is, expanded over time per the owners' needs and abilities.

Serving as a background for the South African housing subsidy scheme, the Provincial Housing Development Boards are responsible for allocating subsidies and facilitation grants to assist with the cost of initiating projects and the application for the subsidies. The government provides subsidies for households with combined income of less than R3500 per month<sup>3</sup> (see Table 1 for different categories of income and their related subsidy amounts). They are given to families who have not previously owned property in order to assist them in acquiring their own house. It is a 'once-off' capital subsidy that is provided as a whole sum and is not repeated. There are different types of subsidies. Project-linked subsidy was introduced in March 1994, individual and consolidation subsidies were introduced in June 1995, institutional subsidies were introduced in December 1995, and rural subsidies were introduced in 2000. Eighty percent of all subsidies approved 1994-1999 were project linked subsidies (over 90% of them to households with incomes of less than R1500 per month), 13% were individual subsidies (mostly credit-linked), 5% were consolidation subsidies, and 2% were institutional subsidies (Department of Housing, 1999).

Project-linked and individual subsidies are intended to enable beneficiaries to acquire ownership of a housing unit for the first time. These subsidies cover the cost of the land, internal infrastructure (i.e. within the project area) and the housing unit. Most subsidies have been project-linked subsidies, where a large number of subsidies are applied for in order to be able to implement a specific housing project. Individual

Table 1: Housing Subsidy Types and Amounts as related to Income in 2002<sup>4</sup>

Monthly joint income (Rands)	Project-linked, individual and rural subsidy (Rands)	Consolidation subsidy (Rands)	Institutional subsidy (Rands)
0-1500	16000-18400	8000-9200	16000-18400
1501-2500	10000-11500	None	16000-18400
2501-3500	5500-6325	None	16000-18400
3501+	Not applicable	Not applicable	Not applicable

Source: Karam *et al.*, 2000

<sup>3</sup> The average income in South Africa is R 2000.

<sup>4</sup> Note: the lower amount is the basic subsidy amount and the higher amount includes the 15% premium for specific site conditions or location (which is usually applied in Cape Town). (1 US \$ = 7.10 Rands as per August 2007)

households apply for individual subsidies, and most of them have been credit-linked subsidies, where someone applies for a subsidy via a bank when they apply for a housing loan (Mirraffab, 2003).

Consolidation subsidies are intended to allow households who received ownership of a serviced site in the late 1980s and early 1990s, prior to the new subsidy scheme, to receive a top-up subsidy to build a new house or improve their existing house. Consolidation subsidies are limited to households with incomes of below R1500 p.m. Most consolidation subsidy projects have been following the People's Housing Process (PHP) approach. The PHP policy facilitates community involvement in housing delivery projects. This policy provides for PHP establishment grants of up to R570 per subsidy to be used in assisting communities who are responsible for managing their own housing delivery, either by actually building houses for themselves or by hiring local builders to build houses for them. The establishment grant can be used to cover the costs of support mechanisms such as housing support centres and community staff to manage the project. The People's Housing Partnership Trust (PHPT) was established to promote and support the People's Housing Process.

Institutional subsidies are used by housing institutions to develop housing that, initially at least, is for tenure forms other than individual ownership (e.g. rental or co-operative ownership). The housing institution owns the housing and is responsible for managing it and collecting rents, and can take the form of a housing co-operative, housing association or local authority housing company. Current regulations require the institution to own the housing for at least four years before transfer of ownership to individuals or Body Corporate. Because institutional subsidies are the only subsidies that can be used for tenure other than individual ownership, they are the only subsidies that can be used for building (or converting) blocks of flats (Department of Housing, 2000).

The focus of this article will be on the Project-linked subsidy, as it constitutes the most commonly used type. As mentioned, the Project-linked housing subsidy, following the model of building one house per plot, is given to people who essentially belong to the lowest income groups. On a closer perspective of the local housing difficulties, the

current housing backlog in the CMA is estimated at 220 000 units to replace and provide for the inadequately housed households (CMC, 2000b). Inadequate housing implies one or more of the following criteria, lack of structural stability, non-existence or sub-standard services, risky location (such as low or wet lands), lack of services, and general degrading / unhealthy environment for habitation. The numbers are a reflection of the cumulative effect of ignoring these problems by the past regime, and now present a real challenge to the new democratic government. Currently, around 26,000 new households are formed every year, of which about 80% are for those households with incomes of less than R2500 (\$290) per month, (Unicity Commission, 2000). The authorities have been providing 22,000 units per year (Steenkamp, 2001). By no means is this rate of construction reasonable to approach the need. Obviously the waiting could be long until the situation improves. Meanwhile, invasion of land for squatting is on the rise despite clear clamp down from authorities and the waiting list keep on growing.

Not only do these low figures present the housing authority with an enormous challenge, but also the re-direction of these funds in an informal way does compound these honest efforts. This research examines the existence of a market for the subsidised units. It is an informal market that strives on the shortcomings of the system and undermines the value of these allocated subsidies. While the selling of conventional properties by wealthier homeowners (on average every six to eight years) is an accepted practice in the property market, the selling of subsidised housing, in some cases immediately, is completely different and represents a bewildering phenomenon. For instance, the filtering process of buyers that one finds in a conventional housing market does not exist at this income level due to the lack of spending power, the shortage of affordable housing, the absence of bond finance, and the absence of real estate market (Abt Associates, Inc., 1998). Accordingly, it is expected that in the Cape Town metropolitan area, recipients of subsidised units will start selling their houses sometime after taking possession of the unit and at a price well below its replacement value or of the initial subsidy amount. This puts the effectiveness of such schemes at dispute and the validity of allocating such

funds in a contested argument. This article will examine whether the sales are happening and the details pertaining to the reasons behind the sale and will attempt to look for justification.

### 3. RESEARCH APPROACH

The point of departure for this research was a qualitative investigation of the informal market that exists in subsidised housing projects. Due to financial constraints, this study was conducted as a pilot study, using two housing settlements in the Metropolitan Area of Cape Town.

Being the first of its kind in such communities, the research was concerned with gathering data carefully resulting in a prudent lengthy approach. It applied a field survey as the source of information. The field survey took place in the housing settlements of Delft and Du-Noon. Delft is situated about 12 kilometres (8 miles) southeast of the Cape Town City centre. Du Noon is situated about four kilometres (2.5 miles) north of Delft. These projects are representative of the project-linked subsidy housing projects in the CMA initiated in recent years by the government.

From the start, we realised that approaching such communities asking about personal details, trying to learn about their housing conditions and finances, intruding on their private arrangements for the future is a difficult task. It becomes more difficult asking about an activity that might be illegal. As research designers, we decided to make every effort in order not to offend the residents with our presence and activities. Learning that unit dwellers are fairly organised under one leadership, we contacted the leader figures first and discussed the possibilities of doing research in their communities with their approval. This was a necessary step to gain access to the localities without reservations on the purpose of such data gathering process. The research team agreed not to ask questions pertaining to the method in which the respondents acquired their dwelling unit. They could be the recipients of the subsidised unit; they could have purchased the unit. This decision was to allow the interviewers to ask questions without embarrassment to the respondent.

After the green light was given for our team to start by July 2000, another level of introduction was in order. The field interviewers needed to be introduced

as well. It involved attending several meetings with both the leaders and the community to make the introduction of the four members of the interviewing team explain all about the research, its structure and goals. All questions and suspicions around our intentions were addressed as delicately and openly as possible. It all proved worthwhile as the research took off from that point onwards without major difficulties and yielded an insight into these communities that otherwise would have remained uncovered.

In the two settlements a total of 34 respondents were interviewed personally over a period of three weeks. The four trained fieldworkers who spoke Xhosa - the native language used in these settlements - conducted these interviews. They worked in pairs, mostly in the evenings or over the weekends. The respondents were chosen at random as the interviewers knocked on the doors of the occupants without prior knowledge. The interview would be conducted with the adult occupant in the unit. In a general view of the respondents' profile the number of the male respondents turned out to be approximately equal to the number of female respondents. Their age distribution varied between 24 and 47 years old. It is not possible to claim that the sample was a representative one, but they were chosen as random as possible under the situation.

In conducting the interview, the fieldworkers were instructed to carry it out as a discussion more than a question-answer session. The fieldworkers were given a series of research questions that were drawn up in broad lines to allow for personal input from the respondent during the interview. The interviewers would then asked for the information and follow-up with more questions should they need detailed clarification on particular issues. This entailed more time and effort but it helped ensure that sufficient input from the respondents was obtained on the topics.

This article revolves around a set of defined issues relating to the subsidised housing projects in the CMA, its acquisition by the eligible owners and then its private selling to buyers from the public. Issues in question address the reasons for which these subsidised units are offered in an informal market, which constitutes this market, and

the effect of these sales on the area. Prices obtained for such units are also investigated and the findings of this research are outlined comparing it to the conventional market and its norms whenever applicable.

## 4. RESEARCH FINDINGS AND ANALYSIS

### 4.1 Today's Recipient / Owner Tomorrow's Seller

During their lifetime, people not only consume housing, but their housing needs change during different stages of their lifecycle, (Foote *et al.*, 1960); the urban poor are no different. People usually move from one place to another for social or economic reasons. If the house they occupy is their own then selling it will most likely facilitate that move. This position will apply whether the house is a shack in a squatter settlement, a shack on a serviced plot, or a subsidised unit obtained from the government as in this case.

From the research investigation, many indicators confirmed that subsidised housing units are being sold, informally, in both of the selected formal communities. The respondents in Delft and Du Noon agreed that the buying and selling of units is common in their areas. They agreed that such an informal market exists, where these units are acquired and then sold shortly after (32 of the 34 respondents).

In a formal housing market, people advertise for the house or have a real estate agent in charge of the sale strategies. In low-income areas, this is not the norm. Abt Associates Inc. (1998), in their study of the South African property market dynamics looked at six townships in six provinces (The term 'township' refers to areas for non-whites pre-democratic elections of 1994). They concluded that the property market in these areas is relatively inactive. They could not detect high sales activities in these areas<sup>5</sup>. Because of apartheid policy, the market has not developed into a proper market based on the principles of supply and demand. Nevertheless, sales do occur. As for the subsidised housing, they are obtained, at no cost to the recipient, from the government at a cost of R18, 400 to the government. The survey showed that houses are being sold by recipients at prices ranging from R5, 000 to R10, 000.

Various explanations are given, mostly far from the previous rationale about the family's lifecycle and the changes that occur, but rather for need of immediate cash.

### 4.2 Pressures to Sell

The main reasons behind the selling of subsidised units in these settlements are influenced by a different set of pressures that apply to the local Capetonian and African context. In a conventional housing market, there is a turnover in housing every eight years thus putting about 12 percent of the formal non-subsidised housing stock on the market at any given time. In the low-income housing market, the situation is complicated by the fact that the supply is limited. The study has shown that despite selling and buying happening, we find that the potential buyers and potential sellers do not come together and agree on a fair price. The seller, as will be shown, is usually either under duress to sell or is overwhelmed by the money offered that compels him/her to sell. Although a non-willing seller can be found in the conventional housing market, it is not as predominant as in the low-income market.

Incidents of buying and selling are given a financial justification that takes several forms. Several of the respondents (15 of the 34 respondents) referred to unexpected financial troubles as the motive behind the sale. These troubles could be triggered by an emergency such as a funeral. In the local traditions, preparing a funeral for a member of a family is highly taxing. It is such a major event where mourning can extend over a period of days, and necessitates providing for all mourners in full, i.e.: food, drink and stay. Hence, it is not unusual that such an event could require the family to sell its own dwelling to cover its expenses and pay for the services. About 44 percent of the respondents identified emergency situations as reasons to sell. Some mentioned funerals; others mentioned immediate need to go back to the rural area.

The study also found that the debt incurred by homeowners of subsidised houses is another reason for selling. Approximately 25 percent of the respondent identified the need for cash among the poor and the low-income population is a constant burden. Their employment is irregular and their

<sup>5</sup> 39% stated that they have used an agent. Further study revealed that many of the 'agents' were not certified estate agents. This is the only study conducted on such question.

income fluctuates weekly, if not daily and therefore getting in debt, for any reason, is not difficult. They do not hesitate to exchange their ownership for cash to pay out for their debts. The debt incurred was found to be either from the accumulative municipal charges of their new home or from a drug/drinking habit.

In the first scenario, municipal charges are not paid timely and dwellers prefer taking the sales money and leaving the house for the new owner to take responsibility of these charges. This could indicate that the discounted price of the house includes the amount of money the family owes. Similarly, Turner (1977) in his studies of Latin American housing conditions found that owners of subsidised houses are unable to maintain the running expenses of the new house. If a family moves out from an informal settlement to a formal one, they have to start paying for water, electricity, and council rates that was not part of their budget previously. In addition, there could be an added transport cost from the new home to the job location. Housing expenditure, in Turner's analysis, increases sharply in that move, and accounts for five percent of the family income before moving and 60 percent after moving.

Moreover, in the subsidised housing of Colombia, Gilbert (1997) found that the expenditure on housing represents, as much as, 46 percent of the household income coming from two salaries and 92 percent of the income if the family survived on one salary. Putting this in perspective of the developed world, where it is 25-40 percent in the United States of America, and could be as high as 60 percent in some developing countries. After all considered, housing expenses do not represent the largest expenditure for the poor, in fact, it comes in second after food. People with very limited financial abilities struggle to carry on their basic daily needs for food and shelter, and if shelter requires more than they can afford, then food takes a priority over it.

Another issue that is sometimes faced by the new homeowners is the case of addiction, the owner would opt to hand over the house to which they owe money in order to settle the debt or pay for the habit. This issue can also

indicate the existence of debt repayment within the agreed price. Drugs and drug trafficking is another phenomenon that is widespread within the localities and presents a major issue with the law enforcement personnel. Drug lords are known to spread their poison over the lower income brackets of the society that easily fall victims of a vicious cycle. There has been some insinuation from discussions with respondents that some people buying the houses are actually drug lords using these houses for money laundering. Although two respondents have reported this issue, it is an issue taken up by the Scorpions<sup>6</sup>.

Supported by the data gathered, and as expected, money made from the sales was certainly one of the main reasons for selling. Without falling into an emergency situation, without getting into debt, there is the element of temptation. A reality of human nature when the owner is offered an amount of cash that is probably more than anything they have had before in their lives. Despite respondents mentioning other reasons for sales, about 30 percent indicated that the price was good and fair and that people could use the money for other more important things<sup>7</sup>. Thus, the buyer's market controls the prices of such units regardless of their real value. There is no cost born by the initial eligible dwellers, so any gain from an informal sale is enticing even if it means going back to live on informal properties and forfeiting their chance for homeownership.

Being 'reluctant subsidy beneficiaries' is another factor encouraging some people to sell their houses. This is a term for those who live in an informal settlement that is identified by the authorities as a re-location project; in this case the residents of the squatter settlement will be re-located to the subsidised housing project, in most cases without consultation and many residents will move reluctantly. Owning a subsidised housing unit is an opportunity for many but not all. However, those reluctant beneficiaries would view it as the perfect holding to sell. The prospect of receiving a house, for free, that they can re-sell for a sum of money becomes attractive even if they will be giving up their rights for another subsidised housing unit in the future.

### 4.3 Moving out and moving in

In an attempt to understand the mobility patterns of the sellers, the survey followed the changes in the families' lives after the sale. It is known that these families either has been evicted from a squatter settlement or was living in other forms of informal housing and that this is the first proper shelter. They do not readily have an alternative shelter after selling their subsidised unit. So, what do they do and where do they go next? Respondents indicated, around 25 percent, that some go back to squatter settlements where they start their own business using the money earned from the sale. In one case reported, the person came back a year later and bought his house back after the success of his business venture in the squatter settlement and proceeded to open a business in his subsidised house. So, the financial gains made in these transactions are not completely wasted, as one might think. Despite this being a lonely story among the 34 respondents but it is a story in its own way.

In comparison, people in the conventional housing market, in most cases, sell to upgrade their housing conditions. They move upwards from one area to another. In the low-income case, many of the sellers move back to informal settlements where housing conditions are of a lesser standard than their previous formal housing. Consequently, there is a downward mobility. Moving back to the rural areas, however, might not necessarily mean the same.

The second alternative was for the family to go back to their homelands. It is difficult to define the African families in Cape Town as nucleus families (Spiegel *et al.*, 1996). Family members usually include extended relatives and friends from the same village. In addition, the family composition changes over-time with associated difficulty in identifying the members of one family living together at any given point (Spiegel *et al.*, 1996). The return to the homeland happens primarily because of such ties that exist between families in urban and rural areas. These strong traditions make it easier for them to go back with the earned money and fit in with familiar surroundings and environment.

On the receiving end, buyers come along with better financial abilities and

<sup>6</sup> A high level unit for fighting crime in South Africa.

<sup>7</sup> This issue was not probed extensively but the mention of buying items such as clothes and other goods was indicated in their responses. Also, the need to help other members of the family was indicated.

they lure the lower-income residents, 'raiding' these affordable housing projects and defying their initial purposes. Down-raiding is another phenomenon that continues to conflict with the government policies pledged to alleviate the burdens of a decent shelter from the shoulders of the poor. In a policy paper by the World Bank, (1993), it was reaffirmed that if the housing needs of the middle class are not met, housing projects intended for the poor will simply be down-raided. In South Africa, despite the government's efforts to ensure assistance in creating housing opportunities for all, these occurrences are very much alive. Several research studies of the local housing policies clearly highlight these shortcomings. One study predicts that the downward raiding of low-income subsidy beneficiaries by higher-income groups will become more important due to the promised improvement in location of housing projects, (Bond & Tait, 1997). Again, these sincere efforts for improvements by the government might prove ill fated with the continuous infiltration of the non-eligible groups into these areas. There is still no protection against 'down-raiding', and it represents a critical issue that needs attention (Bond & Tait, 1997).

#### 4.4 Legality of sales

Searching for an answer to the question of legality of these sales, the research was unable to define a satisfying response. One, however, could argue that they were illegal because of several indications. First, in many cases the delivery process of the subsidised housing runs ahead of the legal transfer of the property, i.e. the recipients selling their property might not have access to the legal documents at the time of the sale. When the recipient decides to sell shortly after moving in, people knowing that it will all be an unofficial process they still look for means to make it appear as such. In one of the settlements, respondents insisted that buyers and sellers register their names with the local branch of the South African National Civic Organisation (SANCO). This organisation has no authority over such transactions; it is merely keeping record of transactions happening in the settlement. But the registration with any institution is regarded as an alternative to the Deeds' Offices that would likely question such sales. Naturally this raises the question if the new buyer has the right to a subsidised unit. In the other settlement, they seemed to believe that

a paper written between the buyer and the seller is sufficient proof that the sale took place.

Second, in cases where there is an urgent need for the money for finances, as in the event of a funeral or payback of debt, the sale becomes immediate and the process is rushed. Time starts being an issue and no attention is paid to the legalities. Putting the house on the market and advertising for its sale are achieved by the word of mouth. Evaluating the property and gathering market information are hardly performed. Many sales occur with the aid of unregistered agents, (Abt Associates, Inc., 1998). It all saves them the trouble of going through the lengthy legal process required for such transactions. Accordingly, the sales are not legal but in the same time, no documentation of the original owners ever getting their properties back.

### 5. CONCLUSION AND IMPLICATIONS

This insight into the subsidised housing in the two settlements of Delft and Du Noon in the Cape Metropolitan Area helped uncover many of the realities taking place in such communities. Although similar to other international projects, the South African context plays a role in defining different attributes to common phenomena. From the initial stages of conducting this research, several considerations had to be in place, addressing the sensitivity of the dwellers, community leaders and the local authorities to such housing issues. At all levels, the researchers were always aware of the challenges that lie in getting information that sometimes borders unlawfulness. It was both a social and a political exercise that yielded useful awareness of the intricacies of subsidised housing in South Africa.

Many schemes are geared towards homeownership, including subsidised housing. It is regarded as the means to better the lives of the poor, to accumulate wealth and build capital. Improving the living standards of the poor of South Africa is one of the goals of the subsidised housing program. Constructing houses and making them available for the needy with no financial obligations is nothing but a noble idea. However, that same concept in the government's *White Paper on Housing* is a target for criticism (Republic of South Africa, 1997). The government clearly rejects the elevation of the

individualised private homeownership above other forms of secure tenure. The debate of such issue is beyond the scope of this article, but it is being pointed out to underline the tensions between different approaches to the current pressing problems such as housing in a formally recognised settlement.

The funding and completion of these subsidised housing projects are certainly a major undertaking by the authorities. Their success is evident in the looks of the dwellers that otherwise would have been living in substandard conditions. Nevertheless, this research identified a relatively high number of sales happening before the full potential of the homeownership benefits is realised. The selling of the subsidised housing units, as indicated, occurs in two waves. The first one occurs shortly after possession of the unit, during the first six months, while the second wave takes place later in time. Each happens due to a set of different circumstances, ranging from emergencies calling for immediate cash or debts pay-off to the temptation for financial gain regardless of the importance of owning a decent shelter.

The research also revealed the loss of such units to families who are not eligible for subsidy, i.e.: more able financially, resulting in the down-raiding of such projects. This results in a downward mobility that is experienced by the original recipient of the subsidy, and hereby, again, defying one of the objectives of the subsidy system. In addition, the sale prices of these units fall short of the replacement cost as well, a finding that is related to the informal market in which these sales take place. With the re-sale prices being a fraction of the replacement value, these units appear not to be highly valued by the subsidy recipients. Although the low re-sale price is sometimes attributed to the need for cash, the residents seem to under-estimate the real cost of such construction. For many reasons, these subsidised units are not properly evaluated and the market for such units is not a conventional one leading to selling prices much lower than their cost.

The fact that the majority of these sales are illegal can create a serious matter for both the current owners and the administrative authorities. Contracts cannot be enforced if the legal owner of the property abandoned it. In cases where a sale is made before the legal documents are completed for the eligible recipient of the subsidised unit, problems arise. The new owner, who

has paid for the unit, would not be able to register it with the authorities. This could also contribute to the low re-sale price experienced in the area, as the lack of such binding legal documents justifies dropping the prices further.

The implications of the findings of this research can take many directions. In an attempt to highlight the main points, it is necessary to note that the implications apply to the current government policy with respect to the capital subsidy scheme. These points relate to possible actions by the local authority rather than the higher levels in the hierarchy of the government.

- In view of the shortcomings of the project-linked type of subsidy scheme, one way of dealing with the issue is to induce no action. The local authorities could accept the *status quo* based on expecting that there will be misuse of the subsidy scheme in one way or another and the enforcement of any regulatory actions might not be cost-effective, hence, unnecessary.
- Currently, the government is considering a course of action by introducing a pre-emptive clause to the subsidy scheme regulations. Recipients would be prohibited from selling their subsidised houses before a waiting period of at least five years<sup>8</sup>. There could be a major problem resulting from such an approach. This type of restriction on mobility makes room to feelings of resentment among the subsidy recipients. Due to the fact that the sales were illegal to start with, there is no reason to believe that this provision will slow the current trend.
- Another consideration is for the pre-emptive clause to restrict the sale of the houses except to the local authority. It would allow local authorities to buy back the units at a predetermined price. Such action might be adding to the financial burdens of the already burdened subsidy system. First, they will be paying for the unit to be supplied; second they would be obligated to buy back the unit if the owner wants to sell it.

- A possible approach is to employ the principle of requiring potential subsidy recipients to demonstrate a commitment to their housing before financial support is granted. This could be achieved by asking recipients to put an amount of money as a down payment even if it is a symbolic amount in relation to the real cost. Alternatively, they might contribute 'sweat equity' where the beneficiaries put labour in the management and/or construction of their unit.

This research has been exploratory in nature. It was difficult to identify people who have sold their units as they had moved away, so the second closest option was to ask about the frequency of it happening. Despite the fact that this research was exploratory, it yielded some interesting findings that are worth following in future studies and hopefully find other methods of tracking down people selling subsidised units.

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<sup>8</sup> This provision has since been implemented and the sales should not happen during the first eight years.

# Secure tenure for the urban poor: lessons from community based land tenure approach in Windhoek, Namibia

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## Abstract

The Namibian Freehold System is well designed, appropriate and effective in providing security of tenure to higher-income households, although it is very legalistic and complex by nature. A community-driven process might offer an alternative to the present Land Delivery Systems that are criticised for being too expensive and thereby excluding the urban poor from land and housing ownership.

Two alternative solutions arose in direct response to the inadequacy of the formal system of land delivery to provide for the specific needs of the urban poor in Windhoek, Namibia. At grassroots level an own solution was sought. A community-driven process enables Self-Help Groups to own blocks of land with the most basic services whilst, at a legislative level, the Flexible Land Tenure Bill creates a parallel interchangeable property registration system.

## SEKERHEID VAN EIENAARSKAP VIR ARM STEDELINGE: LESSE GELEER UIT DIE GEMEENSKAPSGEBASEERDE GRONDEIENAARSKAP-BENADERING IN WINDHOEK, NAMIBIË

Alhoewel Namibië se vrypag sisteem goed ontwerp, toepaslik en effektief is in verskaffing van sekuriteit ten opsigte van eiendomsreg vir hoër-inkomste huishoudings, is dit baie kompleks. 'n Gemeenskapsgedrewe proses mag 'n alternatiewe bied tot die huidige Grondoordragstelsel wat gekritiseer word as te duur en gevolglik die stedelike armes van grond- en huiseienaarskap uitsluit.

Twee alternatiewe oplossings het in direkte reaksie op die ondoeltreffendheid van die formele eiendomsregstelsel ontstaan om aan die spesifieke behoeftes van die stedelike armes in Windhoek, Namibië te voldoen. Op grondvlak is daar na 'n eie oplossing gesoek. 'n Gemeenskapsgedrewe proses bemagtig Selfhelp Groepe om stukke grond met die mees basiese dienste te besit, terwyl die Buigbare Eiendomsregwet op wetgewende vlak 'n verwisselbare parallelle eiendomsregistrasiesisteem daarstel.

## LILUA LA MUBU LELI BUKELELIZWE MWA LIBAKA ZA BUKUWA: TUTO YE ZWELELA KWA MIKWA YA KULUWA MUBU YE ZAMISWA KI SICABA MWA MULENEŊI WA WINHOEK, NAHA NAMIBIA

Mukwa ya sikuwa wa kuluwa mubu kuya kuile wo u sebeliswa mwa naha ya Namibia u bakanyizwe hande, mi u sebeza ku sina butata. Mukwa wo, u fa mata kwa batu ba ba l pumanela ku luwa mubu. Ni ha kuli cwalo, mukwa wo (wona u zibahala ka "Freehold System" mwa puo ya sikuwa) wa tula, mi u ketulula batu ba ba shebehile kuba ni mata a kuluwa mubu kapa mandu mwa libaka za bukuwa. Ka libaka le, kufumanwi kuli, linzila zeñwi za ku luwa mubu zeo li zamaiswa ki sicaba li kona kutatulula butata bo.

Patiso ya ku talima linzila zeñwi ze fa mata kwa batu ba ba shebehile kuluwa mubu kamba mandu mwa libaka za bukuwa, ne i fumani linzila ze peli ze kona ku tatulula butata bo. Nzila ya pili i zamaiswa ki sicaba, mi i susueza batu ku kopana hamoho ka swalisano ni ciseho ni ku bupa tu tengo to tu itusa tona tuñi (to tu zibala ka "Self-Help Groups" mwa puo ya sikuwa). Tutengo to tu cwalo, tu kona kuluwa mubu (block erven) ni kufiwa li selezo ze bweshafalizwe, fa halimu a limembala za tona. Nzila ya bubeli, i sebelisa mulao wa sikuwa wo bukeleza ni ku susueza batu ba ba shebehile kuba ni mata a kuluwa mubu. Mulao nyana wo, u zibahala ka "Flexible Land Tenure Systems" mwa puo ya sikuwa.

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## 1. INTRODUCTION

The 'mushrooming and expansion' of informal settlements is a major problem in the developing world and Namibia is no exception to this phenomenon (Christensen, 2004: 9). This article concentrates on urban living conditions and the challenge to enact by law an informal system of land delivery to secure land tenure for the poor. In the City of Windhoek, the urban poor cannot afford to purchase individually registered erven created by means of the formal cadastre procedure. To compound this problem, the pace of land delivery lags far behind the rapidly growing land demand. In Windhoek, informal settlements have developed 'outside' the control of official administration and planning, and are located remote from decent employment opportunities. It is evident from the following two paragraphs that the political history, as well as the topographical shape of Windhoek, are two main reasons why landless communities have resorted to settle precariously on the peri-urban periphery.

Before it was abolished in 1977, influx control kept indigenous migrant workers from obtaining legal residence in urban centres of Namibia. 'Pass Laws' (a permit system used in urban centres) enforced their exclusion from city life. As the City of Windhoek expanded its boundaries, authorities forced poor communities into moving away, relegating them towards the peri-urban periphery and thereby restraining natural urbanisation. The independence of Namibia in 1990 assured greater freedom of movement and resulted in an unprecedented influx of people into Windhoek because of its primacy. The challenge remains to integrate marginalised, dislocated settlements back into the mainstream economy, formal city structure and civil society.

The Khomas Hochland, a vast highland of undulating hills, together with the Eros and Auas Mountains surrounding an already extensively developed urban Windhoek Basin, severely restricts urban expansion. Land in Windhoek is therefore an extremely scarce and valuable