

CHAPTER 5: FINANCING SOCIAL HOUSING

5.1 INTRODUCTION

A successful social housing programme is to a large extent dependent on the availability of funding from public sources as well as the sector's particular ability to mobilise private resources (UN, 1975:3). Rohe (1995:439) also lists funding difficulties as one of the greatest stumbling blocks that need to be overcome in order to have a successful social housing sector. Lewin (1981: 47) argues that one of the most common mistakes that lead to the downfall of social housing institutions (SHIs), is inadequate financial planning as well as an underestimation of costs. According to Lowe and Hughes (1991:62) the financing of social housing is generally seen as a difficult subject - inherently complex and forever changing. The underlying issue, however, always remains that of the nature of the relationship between housing costs and consumer income and to what extent government is prepared to subsidise the cost.

In this chapter the reasons for public sector assistance to the social housing sector as well as the approaches to social housing financing, adopted by various countries, were discussed. The chapter further addressed the issue of financial support to SHIs by various institutions as well as the financial instruments and/or mechanisms used by these funding institutions to render financial support.

5.2 REASONS FOR PUBLIC SECTOR FINANCIAL ASSISTANCE TO THE SOCIAL HOUSING SECTOR

According to Kroes, Ymkers and Mulder (1988:20), most countries in Western Europe have a tradition of public intervention in housing - the reason being that they wish to improve the housing conditions of the underprivileged. The underprivileged, according to Lane (1995:871), include the homeless, members of society with special needs, the proportion of the general public that would otherwise have spent more than 50 percent

of their disposable income on housing and those currently living in substandard housing. An important feature of housing finance in Africa is, according to Lewin (1981:8), the subsidies granted by government on a regular basis. The UN (1975:37) also argues that a common trait in most Latin-American countries is the predominance of government investment in housing - to make up in part/compensate for the small capacity or limited inclination for saving amongst the general public. According to Mathey (1992:327), the National Fund for Popular Housing in Mexico (FONHAPO), makes an effort to facilitate the availability of credit for housing purposes even to people without stable employment as well as those earning minimum wages.

The Federal Government of the USA provides financial assistance to the social housing sector to enable/stimulate the process of rehabilitation or modernisation of existing estates (Katz and Mayer, 1985:21 and Dreier, 1987:9). According to Lane (1995:868) governments from all over the world generally provide financial support to the social housing sector to stimulate the provision of affordable housing and to enable the SHIs to undertake systematic capital improvements and preventative maintenance programmes. Public financing of social housing is also quite often motivated by a realisation that the development and operating expenses involved in the establishment and proper management of social housing have surpassed a point where it could be financed through rental income alone (Lane, 1995:871).

The affordability of housing relates to the ratio between income and the amount spent by a household on obtaining shelter (Cooper and Rodman, 1992:5). A standard adopted quite widely is that housing costs should not exceed 30 percent of gross household income (Cooper and Rodman, 1992:5 and Kroes, Ymkers and Mulder, 1988: 42). The public assistance granted to the social housing sector in Canada is motivated by a desire to assist those that are indeed spending 30 percent or more of their income on housing - so as to assist them to improve their standard of living. Cooper and Rodman (1992:10) also argues that the provision of housing that is fully accessible to people with disabilities often costs more than what the private sector is prepared to invest. If government is thus committed to enable such individuals to live

as independently as possible, it does have some responsibility to subsidise their housing costs - at least in part.

In terms of Section 26(2) of the South African Constitution everyone has the right to have access to adequate housing. Section 26(2) then goes further to state that government must take reasonable legislative and other measures within available resources to achieve this goal/aim. One can thus argue that the support that the South African government grants to SHIs is in the first instance motivated by the desire to fulfil the government's constitutional obligation to assist people to secure adequate housing.

The support of rental housing – which includes the provision of social housing – assists in placing housing within the reach of needy people, not able to buy housing on the open market but also not qualifying for the general housing subsidy (Nkosi, 1997:2). Government support of social housing in South Africa is thus secondly also motivated by a desire to raise the standard of living of those having difficulty in securing housing in the market place (Abarder, 1997:11).

According to Lipman (1999:11) financial institutions in South Africa are not very enthusiastic about financing SHIs. Government is thus, thirdly, rendering support to the social housing sector in an effort to demonstrate that the risks involved are in fact lower than what is perceived by the commercial banking sector – in the hope that they will change their policies and declare themselves eager/willing to support the social housing sector.

Lipman (1999:11) argues that social housing estates/apartment buildings in the inner city areas of South African cities have demonstrated that they have the potential to regenerate the run-down urban areas in which they are located. This was illustrated according to Cox (1999:10) through a social housing project undertaken through the partnership between Bertrams Development Brigade and Cope Co-operative Housing, which led to the revitalisation of the decaying inner suburb Bertrams, Johannesburg.

The said project *inter alia* led to the construction of 88 units sold as co-operative housing. According to Turner (1995:5), the project also succeeded in saving the suburb of Bertrams from becoming a derelict slum by renovating old buildings and erecting new ones. Government support of the social housing sector in South Africa is thus, fourthly, motivated by a desire to facilitate urban regeneration.

As was explained in chapter 2, the history of social housing in general was for the most part characterised by the adoption of either the residual or mass model of social housing provision. In section 2.2 of that particular chapter it was concluded that the residual model dominated throughout history with a few notable exceptions e.g. the post-war years. Government intervention in the finance of social housing for the most part is thus motivated by a desire to come to the aid of selected groups of the population and to assist those who cannot for whatever reason, secure housing on the open market.

5.3 APPROACHES TO THE FINANCING OF SOCIAL HOUSING

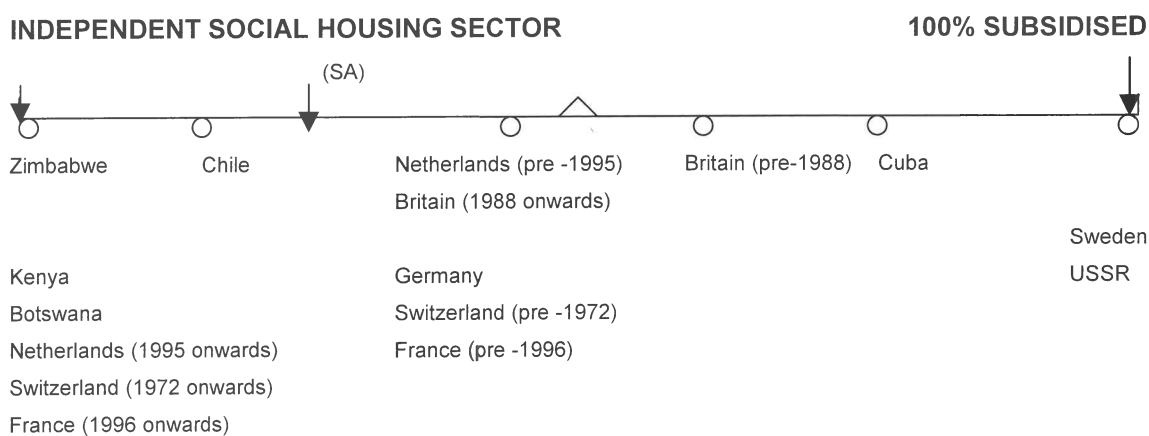


FIGURE 5.1: Graphical representation of the approach of selected countries with regards to the funding of social housing

Source: Self-constructed

(Please note that the approaches referred to in this section refer to the approaches taken by central governments to support or refrain from supporting the social housing institutions (SHIs) active in that particular country. Although it might thus be indicated that some countries do not support the social housing sector per se they might still assist low-income earners with income assistance/ demand side subsidies. These and other financial instruments or mechanisms will be discussed in section 5.5 of this chapter.)

There are as many ways to subsidise or financially assist the social housing sector, as there are countries in the world. Each country has developed a system that is uniquely adapted to their internal realities, priorities and financial means. Conceptually the extent of government assistance can be said to form a continuum (see Figure 5.1). As can be deduced from the said figure some governments believe in wholly independent social housing sectors that receive little or no government support. As will be indicated in the following paragraphs examples of such countries include *inter alia* Botswana, Zimbabwe and Kenya.

According to Larsson (1989:31) the Botswana Government's housing policy is based on the principles of cost recovery and affordability. The public sector does, however, allow mechanisms such as cross subsidisation to be used to assist the consumers of low-income housing.

In Zimbabwe housing is provided only on a cost recovery basis (Schlyter, 1989:45 and Mathey and Pini *et al*, 1985:28). From 1983 onwards the responsibility for housing provision in Zimbabwe was delegated to local authorities who have to use their own resources as well as any donor funding they can secure to fund their respective housing strategies. Schlyter, (1989:51) argues that the effect of this policy coupled with high housing standards adopted by the government after independence have on account of the high costs involved, meant the exclusion of the majority of the urban poor population from local authority housing schemes. Co-operatives in Kenya have to obtain financial assistance from private financial institutions at market interest rates

(Munene, 1999:87). The consequence of this decision of government, not to provide financial assistance to co-operatives, resulted in this sector eventually becoming unaffordable to the majority of the population.

According to Carmona and Blender (1987:82) the Chilean government already in the 1960s initiated an extensive housing programme, which resulted in a large number of different housing solutions - with big differences in standards, in accordance with the income earned by the specific beneficiary. A certain amount of private savings/capital is thus needed to lever a particular standard/level of state assistance.

Carmona (1992:104) states that Latin-American countries in general place emphasis on self-reliance and try to stimulate the usage of labour intensive technologies as well as small-scale production units to produce their housing solutions.

Although the position of the countries plotted on the continuum line in Figure 5.1 represent their current approach to direct central government assistance to SHIs it is also important to note that a county's position on the continuum tends to change over time in accordance with *inter alia* the financial pressures experienced. As will be indicated in the following paragraphs examples of countries that have undergone such shifts would include the Netherlands, France, and Switzerland.

According to Kroes, Ymkers and Mulder (1988:190), and AEDES (1999:8) the central government of the Netherlands introduced a broad programme of subsidies for the social housing sector after World War Two. From the 1980s onwards, however, enormous national debt forced national government to introduce cutbacks (AEDES, 1999:9). In the 1990s central government pulled back even further - this trend finally culminated in 1993 in the "Bruntering" initiative. According to the Minister of Housing, Spatial Planning and the Environment (1997:5) the "Bruntering"/grossing up operation was an event whereby the outstanding financial commitments that still existed between the state/central government and housing associations were balanced out against each other in one transaction. The money still owed to housing associations

by the state (committed subsidies) as well as the money SHIs owed the state in terms of loans, were all settled at once. Both parties received one lump sum which otherwise would have accrued to them over a period of years. By 1995 all these accounts were settled and the financial relationship that existed between the state and housing associations was terminated. The result of this termination, is according to CECODHAS (1999:32), a totally autonomous housing association movement that can decide for itself where, when and how to invest its resources. Government thus lost most of the controls, checks and balances that it previously employed in exchange for the financial assistance it provided.

The Federal Government of Switzerland in the period 1942 to 1970 provided generous financial support to SHIs (Kroes, Ymkers and Mulder, 1988:356). A constitutional amendment in 1972, however, led to the responsibility of housing being delegated/assigned to the private sector. This means that the social housing sector is now dependent on private/commercial financial institutions for financial assistance. State intervention is currently modest and overall represents less than 10 percent of capital invested in the social housing sector as a whole. From the above it should be quite clear that Switzerland's position moved from right to left on the continuum represented by figure 5.1, should its history of central government involvement in the provision of financial assistance to the social housing sector be graphically represented.

Government support of and intervention in the social housing sector of France during the period of 1950-1960 was direct and massive CECODHAS (1999:9). From 1960 onwards, however, government gradually reduced its involvement with the end result that direct subsidies for the construction of new social housing projects were abolished in 1996 (CECODHAS, 1999:18).

The central government of Germany is also gradually withdrawing from funding the social housing sector (Emms, 1990:130). In this instance, however, the burden was passed on to the state governments, which meant that the SHIs in particularly the

poorer states were forced to introduce drastic rent increases, making the sector unaffordable to the low-income part of the population. Kroes, Ymkers and Mulder (1988:150) also states that social housing in Germany gradually moved from being almost totally dependent on long term state loans provided at subsidised interest rates to one in which most private financing is becoming more important every year.

According to Cooper and Rodman (1992:32), the years between 1945-1968 the Federal Government of Canada, through the Canada Mortgage and Housing Corporation (CHMC), provided direct financial assistance to the social housing sector. From 1968-1978 the involvement of provincial government gradually increased as the financial controls and decision-making powers were gradually delegated to that sphere of government. From 1978 onwards, the federal government started to actively pursue an approach of disengagement, privatisation, cost containment and greater dependency on private financing. This trend was illustrated by a gradual decline in subsidisation, which culminated, according to Van Dyk (1995:815), in federal government assistance for the development of new social housing as well as the revenue assistance granted to the sector being frozen as a result of an increasing federal government deficit. Prince (1995:723) describes the current approach of the Canadian government as an assisted private market approach.

The British Government's current approach can also be described as an assisted private market approach, even though relatively high levels of government support are still maintained if compared with other countries already discussed (Page, 1993:3). The Housing Act of 1988, which supports the mixing of private and public financing did, however, lead to a reduction in subsidy levels (Page, 1993:4). This is clearly visible if pre-1988 subsidy levels of up to 90 percent are compared to the 54 percent subsidy levels observed in the 1994/1995 financial year (Page, 1993:3). According to Lowe and Hughes (1991:155) the new approach to the funding of SHIs was introduced through the 1988 Housing Act to:

- Act as an additional motivation for housing associations/co-operatives or SHIs to produce more cost effective solutions;
- Place the social housing sector in a more competitive environment; and
- Encourage the development of entrepreneurial skills in the social housing sector.

Cope (1990:135), states that the changes brought about by the 1988 Housing Act forced housing associations to realize that:

- Housing associations have to learn to deal with and manage risk;
- Housing associations need to have an investment strategy so that they can make the most of all resources they have at their disposal;
- Asset management is a key competency that can contribute towards the future stability and success of the social housing sector; and
- A carefully formulated rent policy is absolutely vital for the continued financial viability of the social housing sector;

As one moves to the right of Figure 5.1 the extent of government assistance/involvement in social housing increases accordingly. According to Mathey (1992:183), state built housing in Cuba is rented out to users/occupiers at approximately ± 10 percent of family income. In this instance, however, the said author also warns that the rental prices in Cuba are subsidised to such an extent, and in such a manner, that the income received by an average SHI is too low to allow it to fulfil/engage in the systematic maintenance required to preserve the standard of the housing units in question. The Central Government of Cuba also uses a system of so-called micro-brigades, an idea put forth by Fidel Castro in the 1970s, to construct state

built houses (Mathey, 1992:186). In terms of this programme workers of a factory/office or any other productive unit are given the opportunity to build houses for themselves and their colleagues. The workers that remain behind in the productive units in turn undertake to maintain previous levels of productivity. Since the 1980s, 60 percent of the houses completed in this manner were distributed/rented out amongst the members of the micro-brigade and the productive unit they were affiliated to whilst the remaining 40 percent was donated to other beneficiaries (Mathey, 1992:186). According to Mathey and Pini *et al* (1988:37) the brigade members receive technical advice, equipment and building materials from the state and local authorities. The production unit continues to pay their salaries but then reclaim these costs from the state. In recent years the state has agreed to sell some of these houses to its occupants at low interest rates over a twenty-year amortisation period. The purchase price in such instances is also subsidised and thus not related to the actual costs of constructing or building the accommodation (Mathey, 1992:190).

In Sweden there is a state housing loan scheme which, according to Lundqvist and Danermark (1990:449), grants direct/indirect state support for almost 100 percent of the costs involved in the construction and maintenance of social housing. This massive financial involvement of the state enables it to specify where, when, how and at what unit price housing is to be constructed/built. According to Kroes, Ymkers and Mulder (1988:97), these loans are even ample enough to finance the planned repairs and maintenance initiatives periodically undertaken by SHIs. A typical co-operative's building activities are, according to Kroes, Ymkers and Mulder (1988:83), financed in the following manner:

- 70 percent of the costs is covered by a long term mortgage loan, with a below market interest rate;
- 29 percent of the costs is financed through a state housing loan, also granted at a below market interest rate; and

- The members of the future housing co-operative contribute 1 percent of the costs.

The state rental sector in the former USSR encompassed 71,4 percent of the housing market (Emms, 1990:237). According to Emms (1990:269) the tenants paid approximately 3 percent or less of their disposable income for the accommodation so provided, due almost entirely to the virtual rent freeze put in place in 1928. Altogether tenants used to pay less than a quarter of the actual costs involved in the management and maintenance of the units they occupied/ rented.

According to the Financial Mail (1997:74), the social housing sector in South Africa combines government subsidies and private resources to provide housing to low and middle-income earners. The institutional subsidies provided by government rarely cover more than 25-30 percent of the capital costs of a social housing project – much lower than that of Britain and Belgium where approximately 40 percent of capital costs are covered by public assistance.

According to Chalmers (1999), and the SHTT (1999:26) one of the factors inhibiting the development of a social housing sector in South Africa is the lack of a clear, comprehensive financial framework. Some of the problems currently experienced by SHIs in South Africa include *inter alia*:

- Limited access to credit since the bad experiences that most traditional financing institutions have had with low-income financing have caused them to be hesitant about investing in the social housing sector;
- Most financing granted to SHIs is earmarked for the actual construction/delivery phase of a social housing project, thus causing a critical shortage of start-up funding or bridging finance;

- The absence of income supplements, with the exception of old age pensions and limited disability pensions, payable to individuals/households exhibiting particular characteristics or experiencing difficult circumstances. Within welfare states the existence of social security systems provide an important source of income for the clients of SHIs. SHIs themselves are thus confident that their tenants have a guaranteed source of income should they encounter difficulties – the risk of tenants defaulting on their rent is therefore much less than what the case is in South Africa; and
- Satisfying due to capacity problems the criteria set by the Housing Institutions Development Fund (HIDF), the only financier of social housing operational at a national level.

The SHTT (1999:48) in their report to the Minister of Housing proposed the formulation of a comprehensive funding framework that will have the following aims:

- Security of funding: It is critical for SHIs to be secure in the knowledge that they will be able to secure institutional subsidy funding for more than one project – it increases their willingness to become involved in the social housing sector.
- Focus public support on multi-project institutions: Given the limited funding available it was proposed that investment over the short term be focussed on SHIs that are planning to undertake a number of projects.
- Packaged funding deals be available for SHIs: Currently there is a need for funding to be rationalised and co-ordinated into comprehensive funding assistance packages at a provincial level.
- Put in place simplified and transparent procedures through which funding can be secured.

- Long-term focus on private sector investment: The financial assistance granted to SHIs by the government should in the opinion of the SHTT be used to assist SHIs in achieving the governance, management and other characteristics required by the traditional finance industry in an effort to secure their long-term involvement.

To achieve these goals/aims the SHTT (1999:50-56) furthermore proposed five key intervention strategies – these are:

5.3.1 Co-ordinated funding efforts

Currently there are a number of institutions providing some assistance to SHIs. It is, however, regarded as important to create security and consistency in the industry with regards to the broad intentions of the funders as well as the requirements each institution tie to the products it has on offer. To address this difficult issue of integration and co-ordination the SHTT proposed that a national funding facilitative committee be established by the Department of Housing. All institutions currently providing financial support will be given the opportunity to serve on the committee. The overall aim of this committee, if established, will be to promote investment in social housing - initially by its members, and in the long term also by the private sector. It is proposed that the committee will have four key functions, namely:

- The development of an overall vision for the funding of the social housing sector;
- The development of common base criteria for the funding of social housing projects;

- Reviewing and revising the current funding and guarantee products to also include the pre-establishment or start-up phases of the social housing project cycle; and
- Encouraging the establishment of public private partnerships in the funding of social housing.

5.3.2 Facilitate funding at the provincial level

It is proposed that provincial governments that seek to promote social housing projects as an alternative housing strategy in that particular province should establish a social housing function/functionary to facilitate and monitor social housing projects funded through institutional subsidies. It is proposed that if established this functionary/body will have the following functions:

- Formulating an overall vision/plan for the social housing sector of the province;
- Obtaining an annual budgetary allocation of institutional subsidies for the provincial housing development board; and
- Ensuring that the funding is co-ordinated within the province.

The SHTT also proposed that provinces consider undertaking the task of funding co-ordination. This will entail that SHIs will continue with their present practice of applying separately to all the organisations known for supporting social housing financially. Once these applications have been lodged it is proposed that a meeting be called of all the relevant bodies to ensure that the applicant receives the most relevant and comprehensive funding package possible.

5.3.3 Targeted funding to respond to SHI specific needs

As was already stated the bulk of financial assistance provided to SHIs is targeted at the delivery or construction phase of the social housing project cycle. The SHTT is however of the opinion that unless focussed investment in the institutions also occurs concurrently, the sustainability of the units so provided will be undermined. The SHTT thus proposed that a grant for covering the pre-establishment and start-up costs be established. This grant is intended to focus on the capacity building and institutional development costs of emerging SHIs.

5.3.4 Institutional subsidy

To increase the possible impact of the institutional subsidy it was proposed that the following policy changes be considered:

- Restrict the institutional subsidy to registered social housing institutions only;
- On the basis of the overall plan for social housing in a particular province developed by the provincial social housing functionary/body and agreed to by the Provincial Department of Housing and the Provincial Housing and Development Boards, a segment of the housing budget for that province be set aside for the provision of institutional subsidies;
- Segments of the above-mentioned budgetary allocation be allocated to specific SHIs; and
- Provincial Housing and Development Boards be granted discretion with regard to the manner in which the institutional subsidies are paid out.

From the above it can be concluded that the South African Government (if it accepts the proposals of the SHTT), intends to continue its current assisted private market

approach. It can also be speculated that if the national housing budget is not increased significantly it is highly unlikely that government will be able to increase its contribution in the form of institutional subsidies. There might, however, be scope to increase its assistance through other measures or instruments – this is addressed in section 5.5 of this chapter. Within a South African context it is thus very important to create an environment within the social housing sector that will bolster the confidence of private/commercial investors to regard the sector as a viable investment. Most of the proposals to develop a comprehensive funding framework for the social housing sector outlined above focus on the rationalisation and co-ordination of the diverse funding strategies already in place – the point South Africa thus occupies on the continuum represented by Figure 5.1 thus remains stable.

In conclusion it is thus apparent from the examples discussed in this section that central governments worldwide adopt different approaches to the financing of social housing. Some countries e.g. Zimbabwe and Botswana assist the sector, but operate on a cost recovery basis whilst other countries e.g. Cuba, Sweden and the former USSR invest on a large scale in the social housing sector without really expecting a return other than providing adequate housing to their respective populations. One can of course argue that the availability of adequate financial resources to a great extent dictates/determines the extent to which governments is able to provide financial support to the social housing sector. However, as was illustrated through the description of Switzerland's support, or rather lack of support, to the social housing sector this argument is not always relevant. It is, however, safe to state that each country adopts an approach relevant to its internal realities and challenges and that the approach adopted is subject to change should that reality/context change. Lastly two trends in particular came to attention in the above discussion of the approaches adopted by governments to the financing of social housing – these are:

- Central governments are trying to disengage/withdraw from directly financially supporting the social housing sector or are delegating the responsibility to

provide financial support to the lower tiers of government who are often unable to shoulder such a burden; and

- The social housing sector, as a result of the above trend, is with each passing year becoming more and more dependent on private sector financing to undertake its building programmes.

5.4 INSTITUTIONS PROVIDING FINANCIAL SUPPORT TO SHIs

Social housing institutions are according to Lewin (1981:71), financed by a variety of sources which are henceforth discussed.

5.4.1 Private/commercial financial sector that includes *inter alia* building societies, savings and loan associations and banks.

SHIs in Africa and Asian English-speaking countries are often financially assisted by non-profit building societies. The members founded these non-profit organisations since membership is open to all who wish to borrow money although non-members are allowed to deposit savings with the society. The building societies are usually prepared to lend up to 70 percent or 80 percent of the property's value, but the rest must be financed by the borrower(s).

Savings and loan associations are common in the USA and in some Latin American countries. They function basically on the same principle as building societies and savings banks in that they serve as intermediaries between those who save money and those wishing to borrow money. Private institutional funding institutions also include savings banks, which benefit in some instances from tax exemptions, commercial banks and various types of corporations e.g. insurance companies and pension funds.

According to Lomax (1995:856), Lowe and Hughes (1991:182) and Kroes, Ymkers and Mulder (1988:299), the social housing sectors worldwide are increasingly becoming more dependent on private financial resources to finance their activities.

Building societies in Britain often lend money to housing associations, although the total amount of the loans granted to housing associations by every individual building society may not exceed 15 percent of its resources or assets (Alder and Handy, 1987:214). Local authority capital expenditure on house building programmes in Britain is increasingly being financed through loans and raised directly from the capital market (Kroes, Ymkers and Mulder, 1988:247). According to Baker (1976:131) there is nothing preventing housing associations from taking up long term loans from sources like finance houses, insurance companies and private individuals. These loans are more often than not secured against unencumbered properties already owned by the housing associations. This trend is illustrated by the fact that the new financial regime for housing associations introduced through the 1988 Housing Act only sanctions grant levels and government loans of ± 54 percent - thus forcing housing associations to borrow the rest of the money from banks and the capital market (CECODHAS, 1999:58). According to Cope (1990:71), the Housing Finance Corporation set up in 1987 through the sponsorship of the British Housing Corporation came into being to attract institutional funding for housing associations by acting as a broker for them. The Housing Finance Corporation is thus acting as a liaison between housing associations and private investors. The Housing Finance Corporation provides security to the lenders thereby attracting larger sums of money through the creation of consortia of borrowers. This is especially helpful to smaller housing associations that are less able to secure or raise private finance directly. The Housing Finance Corporation is a self-supporting and non-profit institution that covers its costs through the charging of arrangement costs (Cope, 1990:71).

Private sector finance in Canada replaced the direct Federal Government programme (Cooper and Rodman, 1992:35). The Canadian Centre for Public Private Partnerships was created within the Canadian Housing Corporation to act as a catalyst, initiator and

source of best advise and encouragement in the creation/establishment of public private partnerships (Van Dyk, 1995:834).

As was already stated in section 5.3 of this chapter the financial relationship between the state and the social housing sector in the Netherlands was terminated through the process of “Bruntering” that started in 1993 and ended in 1995. According to AEDES (1999:15), the social housing sector in that country coped with this difficult situation by developing an innovative guarantee structure. This guarantee structure provides certainty to financiers so that they feel secure in providing the financial assistance needed, while it at the same time involves almost no risk for the state. According to Walker (1997:80), this guarantee structure consists of:

- The Central Housing Fund – it provides the primary security; and
- The Social Housing Guarantee Fund.

According to AEDES (1999:15), the Ministry of Housing, Spatial Planning and the Environment set up the Central Housing Fund (CFV) in 1987. The purpose of the Fund is to offer monetary support to housing associations that run into financial difficulties. The Fund according to Walker (1997:80) provides *inter alia* interest free loans to housing associations to enable them to embark upon restructuring programmes to make the institutions financially viable again.

The Social Housing Guarantee Fund (WSW), was set up in 1983 as a private organisation created by and for SHIs (AEDES, 1999:16). The Fund in essence issues guarantees for nearly all loans taken out by member associations to finance their activities in the social housing sector. In order to become a member of the Fund each housing association must demonstrate its solvency on entry and on a yearly basis thereafter. Funding is only provided after the viability of each scheme has been explored (Walker, 1997:80). The Fund is fed by compensation paid by each housing association for every guarantee granted and in addition all members pay an annual

amount that is kept in reserve, should a situation arise where the resources of the Fund falls below a certain level (AEDES, 1999:16). According to CECODHAS (1999:35) the guarantees provided by this Fund were especially established to replace the counter guarantees previously issued directly by central and local government.

According to Kroes, Ymkers and Mulder (1988:367) the major lenders to the social housing movement in Switzerland are the commercial banks. The mortgage interest rates provided by these banks are variable, flexible and are applicable to mortgage/amortisation periods of 15-20 years. In Finland banks and other commercial financial institutions fund on average approximately 30 percent of all activities embarked upon by the social housing sector.

According to the UN (1975:88) commercial banks and insurance companies in Denmark play an important although indirect role in financing the activities of the social housing sector. Mortgage Credit Institutions grant bond-based loans to SHIs – who as borrowers obtain an issue of bonds in return for mortgage security in the property concerned. The SHI has to make its own arrangements to convert these bonds into cash and it is here where banks and insurance companies fulfil their indirect financing role. According to the UN (1975:20), these savings and credit unions/institutions assume the task and risk of recuperating the capital invested in social housing for the duration of the amortisation period. Sometimes these savings and credit unions are funded wholly or partly through national budgets. An example would include *inter alia* the Instituto de Credito Territorial that was established in the 1940s in Colombia (Carmona and Blender, 1987:99). According to Carmona and Blender (1987:100), it generally finances the activities of construction companies catering for the needs of middle-income sector/part of the social housing sector's clientele. It has a progressive lending policy - more money can be borrowed the higher the income of the target population.

According to Larsson (1989:31) social housing initiatives in Botswana are implemented by self-help agencies that finance their projects through capital in the

form of grants and loans provided by donor agencies. The Fundacion Salvorena de Desarrollo y Vivienda Minima – a private non-profit organisation active within El Salvador also finances the programmes it supports by means of national and international subsidies (Carmona and Blender, 1987:159). These subsidised loans are granted on a 20-year amortisation period at low or subsidised interest rates. The private sector in both Africa and Latin America is thus quite often used as a channel through which international/donor funding is invested in the social housing sector. Co-operatives in Kenya can, according to Munene (1999:87), only obtain financial backing from commercial or formal financial institutions at market interest rates, which proved to be unaffordable to everyone but the middle and high-income sectors of the population. Like in the Netherlands quite a few Latin-American countries are establishing guarantee funds to compensate for declining public sector involvement. An example of this is, according to Mathey (1992:327), the National Fund for Popular Housing in Mexico (FONHAPO) which makes credit available even to people earning minimum wages as well as those without stable employment. The Fund grants credit to *inter alia* housing associations, co-operatives as well as other legally registered SHIs at lower than market interest rates over a amortisation period of approximately 20 years.

As was already stated in section 5.3 of this chapter private financial institutions in South Africa are not very enthusiastic about financing SHIs. This can be attributed in part to the bad experiences that most traditional financing institutions have had with the financing of low-income housing. It is, however, encouraging to note that there are examples of private sector involvement in the financing of social housing projects in South Africa and that these are generally on the increase. An example of such a project is the Newtown Urban Village in Johannesburg (Jaffee, 2000). The particular project is a co-operative housing scheme that was made possible through a three-way partnership between Cope Co-operative Housing, the private sector in the form of Grinaker Housing and the Norwegian Federation of Co-operative Housing Associations (NBBL). The project consists of 351 one- and two-bedroom units in new three-storey walk-up buildings in Malan Street in Newtown.

The inclusion of the private sector in the funding of the national pilot project on housing which emerged for the 1998 presidential job summit is also encouraging (Chalmers, 1999). As a result of this project as many as 50 000 low cost and rental houses are said to become available in Gauteng, Mpumalanga and the Eastern Cape. The Mpumalanga pilot project is taking place at Tasbet and Duvha Park in Witbank and will entail the construction of 5000 units (Arenstein and Samayende, 2000). According to the Mpumalanga Premier, Ndaweni Mahlangu, the project in Witbank is being financed in the following manner:

- Government pledged 5 000 institutional subsidies totalling R 80 million;
- National Job Summit Fund pledged an additional R 25 million; and
- R 136 million balance has been pledged by private sector institutions (Arenstein and Samayende, 2000). These institutions will recoup their investments through the monthly rentals paid by the inhabitants of the units.

As was stated in section 5.3 of this chapter the South African Government intends to pursue an approach which includes as one of its components a long term focus on encouraging private sector investment in the social housing sector. Encouraging the establishment of public-private partnerships also appears to be high on the agenda – clearly visible in the description of the funding mechanisms used in the two projects referred to above.

5.4.2 Non-institutional sources

According to Lewin (1981:71-75) savings and credit unions are characterised by some common bond shared by all members, e.g. the workers of the same factory. Note that the savings are usually not exclusively earmarked for housing - short-term loans are also granted for agricultural use, social needs or consumer goods. The housing loans

provided by savings and credit unions are usually for a period of up to 5 years and often require a specified contribution from personal savings - the amount of savings accumulated will obviously influence the size of the loan granted.

The Department of Housing and Urban Development in the USA stopped granting production/construction subsidies for the social housing sector in the early 1980s, with the result that private developers walked away from inner city housing developments (Dreier, 1987:12). This void was, however, taken up by churches, unions and tenant groups. Charities and charitable trusts are also important supporters of the social housing sector in Britain (CECODHAS, 1999:58). Charitable trusts in particular are quite often willing to make loans to housing associations in Britain for short terms varying from two to three years (Baker, 1976:137). These trusts normally charge the applicant (housing association) a handling charge, but provide the loan at below market interest rates.

Another form of non-institutional financing includes workers housing which usually refers to employer financed housing, sometimes constructed for the employer by a SHI. According to Emms (1990:237) the state rental sector in the former USSR encompassed close on 71,4percent of the housing market. Of this total 32,8 percent was provided by municipalities while employers, which include *inter alia* factory owners as well as government ministries, erected the remaining 37,6 percent. These employers in the former USSR also used to offer to assist/support their employees with the capital costs involved in joining a co-operative. According to Emms (1990:237) the format of this assistance included *inter alia*:

- Soft loans to help with the initial down payment or deposit required;
- Long amortisation periods of between 10-20 years; and
- Low and fixed interest rates.

Baker (1976:114) acknowledges that the purchasing of stocks or shares in housing associations in Britain have no material appeal to an investor - such opportunities may, however, be taken up by philanthropists, private individuals and organisations who want the housing associations to construct/provide suitable accommodation for their employees. Housing associations can thus by undertaking to provide such accommodation, secure funding from employer organisations at lower than market interest rates.

According to Arrigone (1987:12) employers in Brazil are forced to make financial contributions to the National Housing Bank on behalf of its employees. The employees can then gain access to these funds if they want to join a co-operative and need to pay a deposit to become a member.

South Africa has a few facilitative funding bodies. (SHTT, 1999:18). These bodies seek to facilitate funding from the commercial/private sector either by providing funding at low/preferential interest rates to support the development of SHIs or through granting of guarantees. The Urban Sector Network is an example of such an organisation and is according to the SHTT (1999:11) well known for the facilitative services it provides to emerging SHIs.

Churches in South Africa are also assisting in the funding of social housing or are even undertaking social housing projects themselves. An example would include the Ubunye Church, which entered into an agreement with the Built Environment Support Group to assist the church in establishing Ubunye Housing Co-operative – a Section 21 company (Sheffield, 1999:33). The said co-operative with the aid of an institutional subsidy allocation was able to purchase a property consisting of 50 rooms situated at 78 Pietermaritz Street, Pietermaritzburg in 1996. These 50 rooms are rented out to subsistence level urban workers and their families (Sheffield, 1999:33).

Another non-institutional organisation that supports the social housing sector in South Africa is the Foundation for Education and Production, this foundation started the

Bertrams Development Brigade in 1994 (Turner, 1999). As was already stated in section 5.2 of this chapter the partnership between Bertrams Development Brigade and Cope Co-operative Housing led to the revitalisation of the decaying inner city suburb of Bertrams.

5.4.3 Public finance

According to Lewin (1981:72) public housing finance, fiscal measures and interventions in the housing market are often quite extensive in the industrialised countries and may take many forms that include e.g. direct investments, grants, subsidies, bridging finance and guarantees. Note that these mechanisms are discussed individually in section 5.5 of this chapter.

It is important to note that mechanisms for public intervention in the social housing sector are not as well developed in developing countries. Public housing finance usually occurs in the form of direct construction by semi-government organisations - such as a national housing corporation. These semi-government organisations are usually funded through direct government budgetary allocations in the form of grants and interest free or subsidised loans.

According to Mathey and Pini *et al* (1985:25), the implementation of housing strategies in Zimbabwe is the responsibility of local authorities. All projects or activities undertaken by local authorities are funded either from their own resources or donor funding or a combination of both. Local authorities in Britain have according to Alder and Handy (1987:177), the power to make grants/loans/guarantees to housing associations should they wish to do so. According to Kroes, Ymkers and Mulder (1988:247) local authority capital expenditure in Britain is often funded through loans obtained directly from the money markets. The amounts borrowed by local authorities in this fashion are however closely controlled by the central government. The financial assistance granted by local authorities is often linked to the housing association granting nomination rights to local authorities. According to CECODHAS (1999:18),

local authorities in France regularly assist SHIs in France by granting them land free of charge. As was already mentioned in section 5.4.2, local authorities in the former USSR were responsible for the construction, management and financing of 32,8 percent of the state rental sector, that in total encompassed $\pm 71,4$ percent of the housing market.

Another stumbling block to overcome in developing countries is that both private and public financial institutions are reluctant to grant housing loans to low-income households in view of the high security risks or danger of default that might occur as a result of the absence of a social security programme/system that will pay income supplements to people encountering problems in e.g. securing employment. Developing countries are also quite often characterised by high unemployment figures which, if taken together with the lack of a well resourced social security programme, increase the likelihood of social housing tenants defaulting on their rent to high proportions. Another inhibiting factor seems to be the high administrative costs that the financial institutions have to incur to approve these relatively small loans. Lewin (1981: 73) also notes that employer housing taxes/forced contributions have recently been introduced in several countries to try and overcome this problematic state of affairs. Furthermore in some countries social security funds are being compulsory diverted into housing construction in an effort to increase the flow of funds to housing initiatives. Donor funding channelled through government and semi-government organisations is an important additional source of funding for SHIs in developing countries (Larsson, 1989:35).

The role that other national sponsoring agencies have fulfilled has already been discussed in chapter 4 and will thus not be repeated here. Suffice it to say that these semi-government organisations in most cases are actively involved in directly providing financial resources or are involved in the evaluation of SHIs. The ratings of these evaluations directly influence the magnitude of financial assistance both the private and public sectors are willing to provide to a particular SHI.

According to the SHTT (1999:19,86) the Housing Institution Development Fund (HIDF) is the only organisation at national level directly involved in the financing of social housing in South Africa. The HIDF is a separate legal division of the NHFC that was created to promote the establishment of innovative and sustainable institutional capacity in the housing sector. The SHTT describes the HIDF as a developmental financier because it seeks to act as a catalyst for encouraging private sector financiers to operate or become involved in the social housing sector. According to the SHTT (1999:19) the HIDF provides various products, in particular long-term loans, on favourable terms to SHIs. Other than the products from the HIDF the social housing sector also benefits from a retail indemnity scheme providing cover against the risk of default. This service is provided by NURCHA and the Home Loan Guarantee Company (SHTT, 1999:19). The primary funders of SHIs within the South African context are the Provincial Housing Development Boards that have the authority to allocate institutional subsidies to SHIs upon application. It is, however, important to note that such institutional subsidies rarely cover more than 25-30 percent of the capital costs of a social housing project. This falls well short of the approximate 54 percent funding that SHIs.

Although local authorities within South Africa are becoming more interested in social housing, their capacity to provide additional funding to the sector is, according to the SHTT (1999:34-35), constrained by the following limitations relating to:

- Property taxation system: In view of the fact that local authorities are moving in the direction of applying a uniform policy in respect of rates and tariffs the potential of local authorities to support SHIs through the introduction of rebates is unlikely. As it is local authorities are currently confronted with a shrinking proportion of ratepayers and will thus be hesitant to erode their rate bases any further.
- Outstanding debt owed to local authorities is reaching crisis proportions, forcing them to use their reserves to finance the non-payment of debtor accounts.

- Local authorities are the site of a deluge of unfunded mandates generally placing them under severe financial constraints.

In spite of the above constraints local authorities like Germiston (through its Greater Germiston Inner City Housing Corporation) and Johannesburg (through the Inner City Upgrading Trust) are doing their best to provide what support they can to SHIs active within their jurisdictional areas (SHTT, 1999:19 and Chalmers, 1998).

In conclusion then it should be clear from the above that financial assistance to SHIs in general is being undertaken by quite a number of institutions including private/commercial sector, non-institutional sources and the public sector. As was already stated the role being played by private sector financing in social housing is increasing rapidly while the role and extent of the public sector involvement is on the decline. It is thus important for SHIs to keep abreast with all institutions within a particular country willing to finance social housing projects. Financing will in future probably not only be coming from one source but a particular project will be dependent on financial support from various sources. Financial risk and asset management are thus very important skills that every SHI should have at its disposal in order to make a success of its activities, accomplish financial co-ordination and deliver the service of providing good quality housing at reasonable prices.

5.5 FINANCIAL INSTRUMENTS AND/ OR MECHANISMS

In this section the financial instruments/mechanisms used by funding institutions to finance social housing projects are discussed.

5.5.1 Loans (at market or subsidised interest rates)

As a result of the amounts of capital involved in carrying out social housing projects, loans whether at subsidised interest rates or at market interest rates, are one of the

most important financial instruments/mechanisms at the disposal of SHIs to finance their development programmes. According to Carmona (1992:100), subsidised loans are granted through the employment of one or more of the following strategies:

- No or below market interest rates;
- Unusually long amortisation periods (35 years or longer); and
- Reduced initial loan payments.

According to Baker (1976:66) loans advanced at no or reduced interest rates have an element of gift capital attached to them – the so-called gift capital is awarded over the duration of the loan and not once off as is the case with capital grants. It is, however, important to note that subsidised loans are hardly ever granted without the attachment of conditions that remain in effect for the duration of the amortisation period (Van Dyk, 1995:821). The conditions attached vary considerably from country to country and include, according to Carmona and Blender (1987:150), Kroes Ymkers and Mulder (1988:151) and Mauseth (1999:57) *inter alia*:

- A demand that the units built with the aid of these loans is dedicated to low-income residents;
- An acceptance of rent control measures;
- A demand that the members or beneficiaries of the project in question contribute a predetermined percentage – usually 10 percent or less of the project costs;
- Adoption of minimum standards; and
- The granting of nomination rights to specific local authorities.

As can be deduced from the above conditions, subsidised loans can be seen as a mechanism that allows whoever is granting the loan, the power to exercise quite considerable control over the social housing sector in general.

Countries that are making use of subsidised loans to assist SHIs include Ethiopia (Mathey and Pini *et al* (1985:34), Chile (Carmona, 1992:100), Ecuador (Carmona and Blender, 1987:150), Argentina (Carmona and Blender, 1987:56), France (Emms, 1990:81), Sweden (Lundqvist and Danermark, 1990:449), Finland (Cronberg, 1986:1986:67) and Norway (Mauseth, 1999:57).

Over the last few years the terms of subsidised loans have as a result of declining government support become less favourable in most of the countries listed above. This trend is forcing SHIs to approach banks, building societies and the capital markets for loans granted at market interest rates. According to Euroweek (1994:2) SHIs often have to pledge older debt free stock as collateral to secure these loans. The interest and loan capital have to be repaid from rents set by SHIs themselves. Loans granted at market interest rates - if not combined with other forms of state assistance - allows SHIs free reign to determine:

- The beneficiary profile of the future residents;
- Monthly rents;
- The standard of the accommodation provided; and
- Where and when to undertake new projects.

Countries within which the social housing sectors are for the most part dependent on commercial loans to undertake new projects include Zimbabwe (Schlyter, 1989:31),

Kenya (Munene, 1999:87), Netherlands (CECODHAS, 1999:31 and Germany (Kroes, Ymkers and Mulder, 1988:150).

As was earlier stated in section 4.3 of this chapter, the Housing Institutional Development Fund (HIDF), is the only organisation at national level that provides long-term loans to SHIs in South Africa. (SHTT, 1999:19 & 86 and Jaffee, 2000). The HIDF has various products available at preferential interest rates (below prime rate) and on favourable terms to emerging SHIs. It is important to note that these loans generally have to finance ± 65 percent of the project costs, since the institutional provided cover only ± 25 -30 percent of the development costs. The repayment of loans that cover ± 65 percent of the capital costs of social housing projects obtained from the private sector at market related interest rates becomes a daunting task within the South African context. Firstly, the institutional subsidy covering 25-30 percent of the development costs will only be payable if the SHI rents out the accommodation to people earning less than R3 500 per month. Mixed income projects that are advantageous in that they, by including higher income households, contribute/improve the financial feasibility and stability of projects are thus not encouraged. It can also be speculated that unless the national housing budget is increased significantly government will not be able to increase its contribution to the sector in the form of institutional subsidies. Secondly, South Africa does not have a broad based social security system that can supplement the income of tenants should they loose their jobs. All these factors if taken together, increase the risk that a significant proportion of tenants might at one stage or another not be able to pay their rent which in turn would cause the SHIs to default on their mortgage payments. This would increase the sector's risk profile with private financial institutions who are already less than enthusiastic about supporting the sector.

Loans are, however, in some instances also available from local institutions. An example is the Inner City Housing Upgrading Trust (ICHUT), active in Johannesburg. This Trust granted a R4 million loan to assist the 2 000 residents of the Protea Mansions in Joubert Park to purchase the seven buildings they were residing in. This

project is aptly called the Seven Buildings Project (Arbarder, 1997). The loan was used to upgrade the infrastructure and the buildings themselves through the instalment of *inter alia* security gates, an intercom system, water tanks and new sewer pipes and electricity cables.

From the above discussion of loans as a financial instrument to finance social housing projects the following conclusions can be drawn:

- Loan financing, particularly on favourable terms at subsidised interest rates, or over longer amortisation periods than what is on offer in the commercial sector, is one of the most important instruments/mechanisms used to finance social housing;
- Governments quite often provide loans on favourable terms because it allows them to have some control over the social housing sector, in particular the rents being charged and the characteristics of the average beneficiary of such projects;
- Government support in almost all countries is on the decline and the social housing sector is thus increasingly forced to turn to the private sector to secure funding for new projects;
- The decline in government support forces SHIs to increase their rents to compensate for the higher interest rates being charged by commercial financial institutions; and
- The decline in government support has also reduced the rate at which SHIs develop new projects or initiatives.

5.5.2 Capital grants

In social housing literature a distinction is generally made between two types of capital grants – namely bricks and mortar/production subsidies, consumption subsidies/demand side subsidies.

5.5.2.1 Bricks and mortar/production subsidies

Bricks and mortar/production subsidies refer to a large once-off cash payment either before construction starts or upon completion of the project in question. These so-called production subsidies are commonly regarded as one of the most important mechanisms/instruments used by government to lower housing costs in the social housing sector. Production subsidies can, according to the UN (1975:136), be seen as seed capital, which makes the formation of SHIs possible and enable them to carry out new projects. One of the great advantages of production subsidies is that they ordinarily place no burden or obligation on SHIs to repay them provided the conditions upon which they are granted are adhered to. Production subsidies are thus, according to Roger (1999:74), intended to enable SHIs to charge or set reasonable rents. According to Emms (1990:203) the granting of production subsidies to support the social housing sector can be quite expensive to governments, resulting in governments, particularly those in Europe, introducing mechanisms to reduce grant levels or to stop issuing/granting production subsidies altogether. Mechanisms used to reduce grant levels include *inter alia* the introduction of total cost indicators and predetermined/fixed grant rates (Page, 1993:3).

Countries that are, however, still granting production subsidies include Botswana (Larsson, 1989:31), Brazil (UN, 1975:41), USA (Lane, 1995:868), Britain (Page, 1993:3) and Canada (Van Dyk, 1995:832).

5.5.2.2 Consumption subsidies/Demand side subsidies

Consumption subsidies/demand side subsidies can be described as an income supplement payable to any individual/household exhibiting particular characteristics or experiencing a difficult set of circumstances (Perry, 1995:945). According to Burchall and Listokin (1995:588) these consumption or demand side subsidies are aimed directly at assisting disadvantaged households to secure housing in the market place. From the literature – see *inter alia* CECODHAS (1999:18,31), Kroes, Ymkers and Mulder (1988:170) and Yates (1994:177) – countries including the Netherlands, France, Germany and Austria have phased out bricks and mortar subsidies and have replaced it with consumption/demand side subsidies. Some countries e.g. Britain (Emms, 1990:29) and the USA (Lane, 1995:871 and Burchall and Listokin, 1995:588), have introduced consumption subsidies, but not at the cost of totally withdrawing or eliminating bricks and mortar subsidies. Since the introduction of the consumption subsidies in these countries grant levels/bricks and mortar subsidies have, however, been reduced. From the above it can thus be concluded that governments are moving away from subsidising the production of social housing to subsidising the consumption thereof. These consumption subsidies are also called rent allowances, usually calculated by using a point system. The point system takes into account factors like income, number of dependents and current housing circumstances (Burchall and Listokin, 1995:588).

Institutional subsidies, granted as the name implies to institutions and not individuals, is the only broad based capital grant the South African Government provides to SHIs to subsidise their development costs (National Housing Forum Trust, 1998:2). The grant is awarded in circumstances where the beneficiaries initially do not own their accommodation, but rent it - the typical social housing scenario. The grant amounts to R16 000 per qualifying beneficiary and is noted against the names of the actual beneficiaries in the subsidy database. When a person however moves out of the rental unit his or her name is removed from the subsidy database (National Housing Forum Trust, 1998:2).

The Provincial Housing Development Boards on application award the institutional subsidies. According to the SHTT (1999:14) institutional subsidies have played an important part in ensuring project viability in all social housing initiatives undertaken in South Africa to date. The impact of this subsidy/grant can, however, be improved if some of the following problems identified by the SHTT (1999:31-32) are addressed:

- Additional funding is required: It is argued that the current R16 000 awarded per beneficiary is inadequate because:
 - the subsidy is not only applied for the development of social housing units but also for the development of the common space of the project; and
 - if it is the first project undertaken by a SHI, the subsidy also foots the bill for the institutional development costs.
- Single people are excluded: The eligibility criteria currently applied for the capital subsidy scheme excludes single people without dependants. This undermines the development of social housing since single people make up a significant portion of the demand in urban regeneration, inner city and rental accommodation units.
- Insufficient safe guards in place to protect the state's investment in SHIs: Although the Provincial Development Boards award the institutional subsidies they have limited power over the SHIs to ensure that investments are made according to the intentions originally stated in the project application.
- Institutional subsidy is paid out per milestone: This requirement does not allow SHIs the freedom to manipulate their finances to lever other short and long term funding.

It should also be stated that South Africa currently, in contrast with most other countries referred to above, has not introduced income-assistance programmes. The financial assistance provided by the South African Government can thus be described as production or bricks-and mortar subsidies. This situation within the context of high poverty and unemployment figures in the country seriously hampers the extent to which the development of social housing can be seen as a viable alternative towards providing accommodation for people of limited financial means. SHIs are forced through the extent of the market related loans they have to secure to cover their development costs, covering up to 65 percent of the capital costs, to ask rents which are unaffordable to people earning less than R2 000 per month. According to the SHTT (1999:4) the sector currently addresses the accommodation needs of households that are earning between R2 000 and R4 000 per month. The lowering of this threshold of affordability will thus, in the absence of a social security system paying income supplements to qualifying households, depend on the extent to which SHIs can creatively make use of the other funding mechanisms/instruments discussed in this section.

In conclusion it should be clear from the above that the following trends can be identified with regards to capital grant funding of social housing:

- Bricks and mortar subsidies/production subsidies play an important role in the financing of social housing because it doesn't place additional long term financial obligations on the SHIs – they can thus charge lower rents than would otherwise have been possible;
- Most governments discussed here are moving away for providing capital grants and are switching to providing demand side or consumption subsidies to individuals/households; and

- The reduction of capital grants in particular are forcing SHIs to charge higher rents, simply because the void thus created has to be filled or replaced by private or commercial funding.

5.5.3 Public private partnerships

Public-private partnerships are becoming an increasingly important instrument/mechanism through which new social housing projects are financed. Some countries, e.g. Britain with its Housing Finance Corporation and Canada with the Canadian Centre for Public Private Partnerships, are establishing special institutions to facilitate and promote the establishment of such partnerships (Van Dyk, 1995:823 and Cope, 1990:71). According to the SHTT (1999:19) the HIDF in South Africa can be regarded as such an institution given that it can be described as a developmental financier that seeks to act as a catalyst for encouraging other private sector financiers to become involved in the social housing sector. It can thus be predicted that given the withdrawal of bricks and mortar/production subsidies in numerous countries, these public-private partnerships will become increasingly important in the future.

5.5.4 Incentives (excluding tax incentives)

According to the UN (1975:83) and Wheaton (1983:12), local authorities often support the social housing sector through subsidising or even providing land free of charge. Local authorities in such cases are motivated by a desire to stimulate the development of social housing in their jurisdictional areas. In Nicaragua local authorities often allocate land to SHIs free of charge. Such initiatives lower the financial obligations of SHIs since they do not have to borrow money to purchase land for construction purposes. These cost savings enable the SHIs to lower their rents. Local authorities in France also quite often donate land to SHIs free of charge calling such initiatives land grants (CECODHAS, 1999:18). According to the SHTT (1999:20) local authorities within South Africa in some instances are also providing SHIs with

discounted or subsidised land in an effort to stimulate the provision of social housing within their jurisdictional areas. It might, however, prove useful for SHIs in South Africa to actively market their services to local authorities/municipalities so as to increase the likelihood of concluding public private partnerships with local authorities/municipalities and thus accessing well located land free of charge or at limited cost.

The city of Boston, USA introduced an innovative linkage programme (Dreier, 1987:13). In terms of this programme developers who want to secure development rights in down-town Boston have to contribute five dollars per square foot of office/commercial rights awarded into a neighbourhood trust fund for affordable housing development. SHIs can then apply to secure funding from the trust fund under certain conditions. The city of Boston furthermore introduced an advocacy or community reinvestment programme (Dreier, 1987:13). In terms of this programme the City itself only invests and banks its money with financial institutions with a strong track record of investing in low-income neighbourhoods. The city of Boston is thus utilising its financial resources as a tool to stimulate private investment in its low-income residential areas, thereby indirectly assisting SHIs to secure funding from these institutions.

5.5.5 Directives to secure funding for SHIs

According to *inter alia* the UN (1975:136); Arrigone (1987:12) and Carmona and Blender (1987:74), Brazil introduced a forced/compulsory savings system whereby employers are compelled to channel 8 percent of their monthly wage costs into an account with the National Housing Bank. The money is credited in the name of the employees, and they can only access the funds so accumulated on their behalf for housing, personnel emergencies and retirement purposes. The National Housing Bank according to Carmona and Blender (1987:74), is prepared to grant loans from this fund to the state, local authorities and public housing agencies.

Argentina more or less uses the same system, except in their case employers are only compelled to contribute 2,5 percent of their wages to the National Housing Fund (UN, 1975:56). These resources are then used to finance the activities of housing co-operatives. In France an important source of funding for SHIs is to be found in the so-called 1 percent employers payment levy (Emms, 1990:82). At present no such initiative exists in the South Africa.

5.5.6 Tax incentives

According to Kroes, Ymkers and Mulder (1988:20) tax rebates/concessions are important instruments/mechanisms through which governments still support social housing. In Argentina the tax rebates/exemptions granted to SHIs serve to make it more attractive to private investors seeking to lessen their tax burdens (Carmona and Blender, 1987:56). According to Emms (1990:134) even private landlords that provide social housing for rent qualify for these tax benefits. Tax incentives are also becoming more important as governments are generally withdrawing bricks and mortar/production subsidies as a method of rendering support to SHIs. It is also a mechanism/instrument often used in conjunction with public-private partnerships as an incentive to the private sector to become involved in the provision of social housing.

The current tax dispensation as it applies to SHIs in South Africa is distorted and discriminatory (SHTT, 1999:28). Firstly, institutions offering rental tenure cannot claim input VAT. SHIs are thus required to pay VAT but cannot reclaim the money by way of an input tax credit. Secondly, the zero tax rating applicable to other housing subsidy mechanisms (thus excluding the institutional subsidy) is lost to SHIs. This state of affairs has cash flow implications for SHIs since they are required to pay input tax in a lump sum but are only able to recoup the sum paid through gradual payments made by the lessees. The increased costs caused by the provision of the VAT Act thus undermine the affordability of rental accommodation. Thirdly, section 10(1)(cc) of the Income Tax Act only provides tax exemptions for companies but also only with regards to the construction of new residential accommodation. The implication of this

is that SHIs operating as companies cannot embark on upgrading projects and retain their said tax exemptions. Section 10(1)(cl) does allow for companies to undertake both upgrading and new development projects but stipulates that at least 75 percent of the adult members of the resident community /beneficiaries involved in the project have to earn less than R1 800 per month. This limit can be regarded as inappropriate if it is compared with those set by the Department of Housing, in terms of which a person earning R3 500 per month can still qualify for a R5 000 subsidy. Mixed income projects that prove to be advantageous in that they, by including higher income households, improve the financial feasibility and stability of social housing projects are thus not encouraged by the current tax system.

In conclusion it can thus be stated that the current tax legislation within South Africa is a stumbling block rather than a mechanism to be used pro-actively by government to promote/support the activities of SHIs.

5.5.7 Guarantees

According to the UN (1975:135) the function of guarantees granted by government are to:

- Motivate financial institutions to provide loans to SHIs at lower interest rates – since the perceived risk in the context of guarantees is lower/less; and
- Increase the borrowing capacity/potential of SHIs.

The Mexican Government established three housing funds namely the Institute of National Funding for Workers, the Housing Fund for Public Servants and the Military Housing Fund to guarantee housing loans made by credit institutions (Carmona and Blender, 1987:172). Government in this instance thus underwrites/guarantees the repayment of these loans made by the credit institutions.

According to Emms (1990:75) municipalities or local authorities in France secure extensive nomination rights for themselves in social housing stock on account of the guarantees they grant with regard to loans taken out by SHIs. In Switzerland the government is still indirectly lending support to the social housing sector through the guarantees it provides in relation to loans granted to the sector by commercial banks (Kroes, Ymkers and Mulder, 1988:368). The mere existence of these guarantees serve to reduce the interest rates required by the commercial sector, since the banks feel more secure or at ease with regards to the risk they are undertaking. According to the SHTT (1999:19) a retail indemnity scheme provided by NURCHA and the Home Loan Guarantee Company protects financiers in South Africa against the risk of defaults in *inter alia* the social housing sector.

5.5.8 Bridging finance

Bridging finance refers to the funding needed by SHIs to finance the activities that precede actual construction (Lewin, 1981:77). These include *inter alia* paying the contractor's deposit, transport costs and appointing the professional team responsible for the design and securing the necessary planning approvals. According to Smith (1995:923) the availability of bridging finance stimulates SHIs to undertake new development projects in the USA. The absence thereof actually implies that SHIs have to finance the planning phase of new development projects from the revenue of existing schemes, which should rather be diverted/channelled to sinking funds, which can then be used to pay for future rehabilitation and modernisation initiatives.

According to Sheffield (1999:39) bridging finance is also very important within the South African context because the Provincial Housing Development Boards require the preparation of comprehensive institutional subsidy applications. The preparation of these applications can be quite expensive. According to the SHTT (1999:19) Johannesburg, through the Inner City Housing Trust, provides bridging finance to SHIs active in the city. NURCHA as was explained in section 2.3.4.1 of chapter 2 through

the provision of guarantees also plays an important role in accessing bridging finance in South Africa.

5.5.9 Cross subsidisation

Developers in Botswana often plan mixed income developments that also provide for a diversity of tenure options (Larsson, 1989:31). This strategy enables them to use the income generated from the sale of the higher or medium income units to help fund the construction of the low-income units. In the USA the Government in recent years granted SHIs more flexibility with regards to tenant selection (Lane, 1995:901). SHIs make use of this lenience to secure mixed income populations for their estates. Such a selection process enables SHIs to increase their rental income, seeing that an individual whose income exceeds certain limits pays a higher rent. According to Kroes, Ymkers and Mulder (1988:459) this additional money is paid into a reserve fund that can be used by the SHI to overcome temporary difficulties.

According to Emms (1990:26) cross subsidisation whereby debt free social housing stock is used as collateral for securing funding to undertake additional projects or where the income derived from debt free stock is used to cross subsidise the capital/operating costs of other projects, is an important component of the financial strategies of quite a few SHIs in Britain.

Some countries, e.g. Germany do not support the practise of cross subsidisation (Emms, 1990:138). The German government placed strict limitations on cross subsidisation by demanding that all such proposals are to be submitted to government for approval.

Cross-subsidisation strategies have the potential to enhance firstly the effectiveness of SHIs, and secondly the potential of SHIs to reach lower income segments of the market over the long term (SHTT, 1999:17). This is thus a mechanism that needs to receive more attention within the South African context.

5.5.10 Sources of additional income

According to Emms (1990:256) social housing estates in the former USSR rent out the shops and other communal areas, e.g. community halls that form part of the social housing estates to private individuals/enterprises to generate additional income. This money is then used to lower the rents of the inhabitants or to enable better maintenance of the buildings and the grounds. Some SHIs in the USA also expect tenants to become involved in fund raising activities to stop rents from increasing at a pace surpassing increases in rent allowances/housing benefits. In France and Germany SHIs may also accept tenants whose income levels are above the usual income ceilings, especially in areas of low demand. Such tenants are, however, expected to pay additional premiums of between 5 percent and 25 percent (Emms, 1990:121). Developments in Canada often include other land uses, e.g. shops, and laundromats to enable the particular project or scheme to generate additional money on a regular basis (Cooper and Rodman, 1992:8).

According to the SHTT (1999:32) mixed income social housing projects are not encouraged in South Africa. The reason being that households earning more than R3 500 per month do not qualify for subsidies and are thus not included in the projects since it increases the amount of capital that has to be borrowed to complete the construction phase. It is however a well-known fact that the inclusion of higher income people in social housing projects improve the long term feasibility and stability of such projects.

In conclusion, the diversity of the instruments discussed above that can be used to finance SHIs illustrate the complex financial environment within which SHIs have to operate. Asset, financial and risk management are thus skills without which no SHI that regularly undertake new development projects, can do without. SHIs increasingly have to develop entrepreneurial skills if they are to survive with their public-spirited objectives intact.

Within the South African context it is clear that only a limited number of the above listed instruments are used regularly and consistently.

Instruments like tax incentives and securing additional sources of income can be improved upon. It is only when each of these instruments - each has a particular niche or function to fulfil - are used optimally and in a mutual supportive manner/fashion that SHIs in South Africa will be able to flourish.

5.6 CONCLUSION

In conclusion it can be said that the financing of social housing is inherently complex and forever changing. Government involvement in the financing of social housing is for the most part motivated by a desire to come to the aid of selected groups of the population and to assist those who, for whatever reason, cannot secure housing on the open market. In South Africa and the United States government's financial assistance to the social housing sector also serve to stimulate/enable the process of rehabilitation and modernisation of inner city areas.

One, or a combination of the following sources, usually funds SHIs worldwide. Firstly, the private commercial sector, including building societies, savings and loan associations, commercial banks, insurance companies and pension funds, secondly, non-institutional sources, including savings and credit unions, churches, unions, tenant groups, charities and charitable trusts, and lastly, public finance, including all spheres/tiers of government.

There are as many methods to subsidise/financially assist the social housing sector, as there are countries in the world. Each country has developed a system that is uniquely adapted to their internal realities, priorities and financial means. The extent of government involvement/assistance forms a continuum. The social housing sectors in some countries, e.g. Kenya, Switzerland and the Netherlands receive very little, if

any, government support, whilst others, e.g. Sweden and the former USSR, receive subsidies that cover almost 100 percent of the development costs. It is, however, apparent that most central governments are trying to disengage/withdraw from providing direct financial support to the social housing sector. The funding responsibility is often delegated to the lower tiers of government who are unable to shoulder such a burden. This trend/phenomenon is causing the sector to become more dependent on private sector funding with each passing year.

The South African social housing sector receives financial assistance from government in the form of institutional subsidies. These, however, rarely cover more than 25-30 percent of the capital costs of a social housing project. The approach adopted in South Africa can thus be described as an assisted private market approach, seeing that the social housing sector in South Africa combines government subsidies and loans from the commercial/private sector to secure enough funding to undertake new development projects. The SHTT identified the lack of a clear, comprehensive financial framework as one of the factors that inhibits growth within the social housing sector in South Africa. To address this situation the SHTT proposed five key intervention strategies. Firstly, the co-ordination of funding through the creation of *inter alia* a national funding facilitative committee secondly, the establishment of a provincial social housing function/functionary that will be responsible for formulating an overall vision or plan for the social housing sector of the province, securing funding for the allocation of institutional subsidies by the Provincial Housing Development Boards and ensuring that the funding is co-ordinated within the province thirdly, that targeted funding be made available for institutional development fourthly, that policies be put into place to increase the impact of the institutional subsidies and lastly, adopting a long-term focus on private sector investment.

In general the role being played by the private sector is increasing rapidly while the role and extent of the public sector is on the decline. Private financial institutions in South Africa are not very enthusiastic about the financing of SHIs, since quite a few have had bad experiences with financing low-income housing. It does, however,

seem as if the South African Government is intent on pursuing an approach which includes as one of its core components a long-term focus on encouraging private sector investment in social housing. The encouragement of public-private partnerships also appears to be high on the agenda. In view of the fact that the national housing budget is not expected to increase significantly the importance of getting private sector financiers on board cannot be overemphasised. For such an initiative to succeed, the social housing sector needs to prove/demonstrate that it is a sound and relatively risk free investment. The viability and sustainability of each project thus needs to be carefully considered since mistakes can be costly in terms of undermining investment confidence.

Non-institutional sources also deliver valuable financial assistance to SHIs. Charitable trusts and churches in particular might in special circumstances even be willing to provide loans at below market interest rates. Although a few churches and facilitative funding bodies in South Africa are lending support to the social housing sector, it can be argued that a carefully compiled marketing campaign might encourage interest in the sector, especially amongst the public spirited non-institutional bodies/organisations.

As was already stated, the extent to which governments worldwide are prepared to assist/subsidise their social housing sectors varies greatly. In South Africa the Housing Institutional Development Fund is the only organisation at a national level directly involved in the financing of social housing. Provincial Housing Development Boards are the primary public financing agents in South Africa since they have the sole authority to allocate institutional subsidies. Local authorities in South Africa are becoming more interested in encouraging the development on social housing. The assistance they can provide is, however, limited by factors like the property taxation system, outstanding debt owed to them and the amount of unfunded mandates they are currently confronted with.

Given the diversity of funding sources available, it is important for SHIs to keep abreast with all institutions/bodies/individuals willing to finance SHIs. Knowing who the funders are will be a great advantage since the expense involved in the development of a new project is of such a magnitude that funding in future will probably not only be coming from one source but from several sources simultaneously.

The following mechanisms/instruments are used by the above-mentioned funders and SHIs alike to fund new projects and to manage and upgrade existing projects/estates:

- Loans at market or subsidised interest rates;
- Grants referring to firstly, bricks and mortar/production subsidies, a large once-off cash payment and secondly, consumption/demand side subsidies which can also be described as income supplements payable to individuals/households exhibiting particular characteristics or experiencing a difficult set of circumstances;
- Public-private partnerships to develop and manage SHIs;
- Incentives (excluding tax incentives) which include *inter alia* local authorities that subsidise or provide land free of charge to SHIs and linkage programmes in terms of which developers wanting to secure development rights in downtown areas have to contribute money into a neighbourhood trust fund for affordable housing development;
- Directives to secure funding for SHIs through a forced/compulsory savings system whereby employers are compelled to channel a percentage of their monthly wage costs into a housing trust fund;
- Tax incentives through *inter alia* tax rebates/concessions made to SHIs;

- Guarantees often used by government to motivate financial institutions to provide loans to SHIs at lower interest rates, since the perceived risk is lower/less and to increase the borrowing capacity of SHIs;
- Bridging finance referring to the funding needed by SHIs to finance the activities that precede actual construction;
- Cross subsidisation is achieved through the development of mixed income developments that also provide for a diversity of tenure options. The income generated from the sale of the higher and medium-income units help fund the construction of low-income units. Cross subsidisation can also be achieved through a system whereby debt free social housing stock is used as collateral for securing funding for subsequent projects/developments; and
- Sources of additional income can be secured if social housing estates include land uses like shops and community halls. These can then be rented out to private individuals/enterprises to generate additional income.

The above listed instruments are usually used in combination and in mutual support of each other. Together they form a comprehensive framework within which each instrument has a particular niche or function to fulfil. It is thus clear that the financing of social housing has become quite a complex field, forcing SHIs to develop sophisticated financial management systems. Skills like asset and risk management are in great demand within the social housing field since these skills are needed to secure the long-term viability of SHIs.

In the South African context some of the listed instruments, e.g. tax incentives, cross subsidisation, incentives, excluding tax incentives, and securing additional sources of income, are not being used to the fullest extent possible, whilst one, namely directives to secure funding for SHIs, is not being used at all. The current tax dispensation as it

applies to SHIs is distorted and discriminatory, undermining the affordability of rental accommodation. This situation needs to be addressed as a matter of urgency if the South African government is really intent on promoting the involvement of the private sector in the funding of social housing. This fragmented financial framework within the context of high poverty and unemployment figures in the country seriously hampers the extent to which the development of social housing can be seen as a viable alternative towards providing accommodation for people of limited financial means. SHIs are forced through the extent of the market related loans that they have to secure to cover their development costs, covering up to 65 percent of the capital costs, to ask rents which are unaffordable to people earning less than R2 000 per month. The social housing sector currently addresses the accommodation needs of households that are earning between R2 000 and R4 000 per month. The lowering of this threshold of affordability will thus, in the absence of a social security system paying income supplements to qualifying households, depend on the extent that SHIs can creatively make use of the other funding mechanisms/instruments discussed in this chapter.

It is thus recommended that a comprehensive review of all funding instruments mechanisms be undertaken regularly with a view to determine:

- The stumbling blocks that prevent the optimal utilisation of some funding instruments;
- Whether or not the motivations for not using a particular instrument are still relevant given the ever changing policy context in South Africa; and
- The particular role/function that each instrument could fulfil/play within South African social housing context.

Once the above information is available it can be used to compile a comprehensive financial framework for the funding of SHIs in South Africa, in support of the five key strategies proposed by the SHTT.

CHAPTER 6: HOUSING MANAGEMENT

6.1 INTRODUCTION

Housing management is one of the most important factors that determine whether social housing estates will flourish or decline (Page, 1993:43). In this chapter a historical overview of social housing management approaches was provided followed by a section discussing the management structures generally adopted by small and large SHIs respectively. The chapter furthermore addressed the main management functions namely unit allocation, maintenance, rent collection and tenant participation usually carried out by SHIs.

6.2 HISTORICAL OVERVIEW OF SOCIAL HOUSING MANAGEMENT APPROACHES

Over the years the approach to social housing management has undergone numerous changes. Octavia Hill (1838-1912), daughter of a British merchant banker, is often cited as the founder of the philosophy underpinning social housing management (Lowe and Hughes, 1991:123 and Cope, 1990:180). Ms Hill was the first person to use the term housing management in a broader sense. She was concerned with the moral welfare of the residents and not merely the income generating potential of the social housing units/estates (Lowe and Hughes, 1991:126). The distinguishing factors of Ms Hill's approach include:

- Stressing that management is more than just rent collection - it can be seen as an instrument that can be used to improve the moral welfare of the poor;
- Dealing with the tenant and the dwelling as a unit;
- Offering rewards for good behaviour; and

- Strict enforcement of punctual rent payment by the tenants.

Management according to Octavia Hill's approach according to Lowe and Hughes (1991:128) included the following activities:

- Tenant selection;
- Eviction of tenants behaving unsatisfactory;
- Supervision of the property and its occupants; and
- Systematic and punctual rent collection.

According to Cope (1990:180), Octavia Hill argued that the key to successful housing management was the relationship between landlord and tenant, stressing that a good relationship was mutually advantageous. Ms Hill was, however, somewhat paternalistic and authoritarian in her outlook/approach.

The housing management approach that was adopted in the early 1920s can be described as a property orientated approach (Lowe and Hughes, 1991:130). Perry (1995:935) describes, or rather calls this approach the conventional housing management approach. It only focuses on the property itself and includes activities like rent collection, maintenance and the allocation of vacant properties.

In the 1930s the property-orientated approach was, according to Lowe and Hughes (1991:130), once again replaced with a more intensive style of management geared to the buildings as well as the people who occupy them. In this period the training of estate managers was expanded to include acting as advisors to tenants experiencing problems e.g. financial difficulties.

During the early 1950s housing managers, according to Lowe and Hughes (1991:131), started to see tenants as independent reliable citizens who no longer needed the support of the managers. This period is also credited as the era in which housing management emerged as a profession in its own right. From 1960 until the early 1970s housing managers moved further and further away from close personalised contact with tenants. The primary concerns of the housing managers then were systems, procedures and efficiency. According to Lowe and Hughes (1991:137), both social and physical distance crept into the landlord-tenant relationship. Housing management thus became more extensive, remote and increasingly impersonal.

In the early 1970s there occurred a simultaneous emergence of unprecedented managerial problems in *inter alia* Germany, France, the Netherlands, Britain and USA (Emms, 1990:6 and Lane, 1995:879). The said management problems included high resident turnover rates in some estates and increased vacancy levels caused by a growing reluctance of new tenants to move into estates with questionable reputations.

Kroes, Ymkers and Mulder (1988:225) argue that at least part of the problems mentioned above can be ascribed to the changed clientele of the SHIs. The resident populations of SHIs in the countries mentioned above changed from predominantly working class members to a disproportionate number of low income, unskilled or semi-skilled, unemployed people dependent on some form of government or public assistance (Lane, 1995:867). This process of residualisation was discussed in chapter 3 and will thus not be repeated here. Bratt and Videl *et al* (1998:41) and Page (1993:9-40) argue that there are three major factors affecting the relative ease or difficulty of social housing management - they are:

- The quality of rehabilitation or construction work. If either one of these two were not done to an acceptable standard, future management inherits ongoing problems, which puts pressure on the budget of the SHIs and furthermore leads to tension with and amongst tenants.

- The choice of the site or location of the social housing estate. The location of social housing estates are generally regarded as very important since it determines the local environment within which people will live. Locational factors determine the desirability and hence the value of the land. It is, however, important to weigh the financial advantage that can be gained from acquiring cheap land for development against its desirability as a place to live. Some of the worst residualised social housing estates characterised by *inter alia* unpopularity, vandalism, appearance of decline and decay, high turnover rates and vacant dwellings internationally can be found on the outskirts of towns and cities – away from shopping, health, entertainment and recreational facilities. Upon considering whether or not it is desirable to build a social housing estate/accommodation in a particular area it is important to consider how it will be for people of limited resources to reside there. Questions of where will they shop, where will the children play and go to school, how good or convenient is the public transport facilities servicing the area have to be taken into account when locational decisions are being made. It is thus important to build homes where they can readily be serviced by schools, shops and transportation facilities. In general, private developers can get away with building in remote and difficult locations since their clientele are likely to be employed and fully mobile. However, in the context of the changing clientele of social housing estates referred to above the same cannot be said for social housing institutions.

It is furthermore important to realise that the location of social housing estates will have an impact upon existing local communities in that area. The ability of such communities to deliver the social services that will be required when a social housing scheme is completed also needs to be taken into account. Social housing estates will by necessity place extra demands on schools, health and social services. Overburdening of existing service providers can furthermore lead to the unpopularity of residents which in turn may contribute

to the sense of alienation and apathy experienced by residents of relatively new social housing estates.

Situating social housing estates in neighbourhoods characterised by high poverty and unemployment rates, poorly maintained housing, inconsistent/irregular municipal services, high levels of crime, vandalism and prostitution contribute to social estates developing poor reputations, which in turn weaken social controls and increase the sense of alienation and apathy experienced by residents.

From the above it is clear that the location of social housing estates can be the key to the success or failure of a particular estate. For social housing landlords completion of development work is not the end but only the beginning of the story – the estate will have to be let and managed not only once but over its lifetime. Internationally it has become abundantly clear that the cumulative negative effect of little or no economic and social resources and infrastructure on and in the immediate vicinity of social housing estates can be considerable.

It can thus be concluded that tempting as it may be to acquire inexpensive large sites in peripheral areas to construct social housing the acquisition will be a poor one if it leads to inconvenient and isolated developments which is difficult to live on and subsequently hard to let, manage and maintain.

- Size/scale and configuration of social housing estates. According to Page (1993: 11) most stigmatised/residualised social housing estates are large. This presents a powerful argument for social housing institutions to keep their developments small. In view of the changing clientele of social housing estates in general, small estates minimise the effect that large numbers of uniformly poor people could have on an area. A much better approach according to Page (1993: 48) would be to try and integrate vulnerable/disadvantaged people through small developments into the wider community in which they are more

likely to find support instead of amongst people that are equally disadvantaged or vulnerable. According to Page (1993:12) provincial administrations in Canada place restrictions on the size of social housing developments – no social housing development projects of more than 40 dwellings are supported through public financial support in that country since the socio-economic profile of the residents of such estates and the ability of existing community facilities to absorb large estates make the successful integration of larger estates difficult to achieve. The presence of so many households with few resources on large social housing estates necessitate well resourced community development programmes since there is a limit to how many disadvantaged households with few or no resources an estate can handle unless other (non-housing) resources e.g. social services and voluntary agencies that provide for people with special needs are readily available on these estates.

Page (1993:42) furthermore argues that poverty, large numbers of children and a concentration of people under stress in large estates can contribute to an estate entering the spiral of decline or residualisation. Higher turnover rates on large unpopular estates makes it difficult for residents to build a sense of community.

It is, however, important to realise that economies of scale can still be achieved from volume builders/contractors by arranging serial contracts on a number of small developments which can be readily absorbed into existing communities. It is also advisable for social housing estates to consist of a diverse mix of dwellings to facilitate the building of balanced and or diverse communities.

It can thus be argued that a combination of four factors listed in the above two paragraphs created an environment within which the traditional housing management or property orientated approach simply was not enough. The management of social housing became increasingly complex since it was expanding beyond the traditional tasks of property management to also encompass the improvement of the social

environment (Smith, 1995:910). This phenomenon is referred to as the so-called socio-economic accompaniment management approach. The term socio-economic accompaniment approach means or entails a broadening of the activities associated with housing management to include initiatives aimed at enhancing the quality of life on estates as well as in the surrounding neighbourhoods of the estates (CECODHAS, 1999:23). This approach was adopted by the social housing sectors in *inter alia* Britain, France, the Netherlands, the USA and Canada, since the mid-1970s as the inadequacies of bureaucratic approach to housing management became apparent (CECODHAS, 1999:76, Emms, 1990:100; AEDES, 1999:11; Lane, 1995:879 and Cooper and Rodman, 1992:6).

It is clear from the literature (see *inter alia* SHTT, 1999:62 and Sheffield, 1999:34), that one of the most well known characteristics of social housing in South Africa is the concern with the social aspects of providing accommodation for low-income residents. This is illustrated by Ubunye Housing Co-operative in Pietermaritzburg which provide a range of support services to its residents e.g. tenant education in household budgeting skills in an effort to support the development of secure and viable communities (Sheffield, 1999:34). The Tasbet and Duvha Park suburbs being erected as pilot rental schemes are characterised by mixed land use patterns in an effort to stop the emergence of dormitory towns without community facilities (Arenstein and Samayende, 2000:3). According to Page (1993:4) experience elsewhere have shown that the management structures of the bigger/larger social housing estates find it more challenging as a result of the sheer numbers involved to provide sensitive solutions to the problems experienced by the residents. Size can thus make the task of adopting a socio-economic approach that much more daunting given the fact that social housing estates in most instances provide a refuge for people of limited financial means that might have been homeless or traumatised in some other way on top of experiencing difficulty in finding stable employment. The SHTT (1999:36) states that they regard it as important that SHIs adopt policies and developmental strategies that aim to increase the access of their residents to social and economic opportunities. From the

above it should thus be clear that SHIs in South Africa frequently voluntarily adopt the socio-economic accompaniment management approach.

This new approach to housing management is characterised by initiatives that include *inter alia*:

- Socio-economic assistance that includes initiatives to educate/assist residents to access all the public benefits (subsidies) they are qualify for (CECODHAS, 1999:76). Some SHIs e.g. The North British Housing Association provides their tenants with a step-by-step guide to understand and address their debt problems through an affordable repayment plan. Emms (1990:155) argues that SHIs also employ local economic development initiatives to eliminate the dormitory image of some of the bigger estates. This is done through the integration of other land uses like commercial activities, community facilities and health care into estates or into the immediate environment surrounding the estates. Residents are given the opportunity to open their own businesses in these small business centres in an effort to assist with the creation of job opportunities. SHIs in the USA often conclude partnerships with other non-profit institutions to deliver services like adult education, day care, life skills, and practical or career orientated training to residents in an organised manner (Lane, 1995:887);
- Enhancing or improving tenant participation in management and policy formulation (Lowe and Hughes, 1991:182) – this is function is discussed in section 6.3.4 of this chapter;
- Decentralisation of management functions in order to facilitate a more localised management approach characterised by responsive housing management (Krätke, 1989:692). Cope (1990:218) argues that one of the quintessential features of successful management is effective communication. This can, however, only be achieved if the management structure is close enough to the

residents to facilitate a regular exchange of information. Each estate is furthermore socially and physically different (Emms, 1990:306). This implies that a localised management presence is necessary to come to terms with the special and sometimes unique circumstances or problems encountered on that specific estate. A manager that has his or her finger on the pulse of the problems experienced on a particular estate is thus in a much better position to formulate solutions especially designed to address the problems being experienced; and

- Physical alterations. Crime or the fear of crime makes the management task of allocating vacant properties difficult since most prospective residents with a choice would refuse an offer to reside on a social housing estate renowned for its high levels of crime (Perry, 1995:943). In order to address this problem SHIs have in general embarked upon initiatives to upgrade the security measures on problem estates (Emms, 1990:55). These initiatives typically include restricting access to dwelling units to residents and invited guests. This can, according to CECODHAS (1999:76), be achieved through installation of security doors, intercom systems or the appointment of doorkeepers.

It should be clear from the above discussion that the adoption of a socio-economic accompaniment management approach means that the scope of management activities has literally become limitless. The implication of course is that costs can not be contained (Perry, 1995:947). In recent years SHIs have in response to this dilemma adopted one of two responses (Perry, 1995:947-952). Firstly, some SHIs have returned to the conventional management approach and thus opted to turn away from the new set of demands. These SHIs carry out their so-called landlord functions (rent collection, allocation of vacant dwellings and maintenance) but don't accept responsibility for anything more than that. In the second or alternative approach, SHIs still acknowledge that housing management should also be concerned with the overall socio-economic well being of residents and the surrounding neighbourhood. They are, however, questioning if they should accept responsibility for providing these extra

services and even if they are the most suitable organisations/institutions to provide such services. These SHIs have thus resolved to undertake wide audits of the available community service organisations operating in the vicinity of their estates and to conclude partnership agreements with these service providers to render or make available their support services to their residents. The location, size and configuration of social housing estates thus become very important considerations. It is vital to consider how it will be for people of few/limited resources to reside in a particular area. Experience elsewhere have indicated that it is very important to build social housing estates in localities/areas that can readily be serviced by schools, shops, transport facilities and community based aid organisations. The ability of the receiving community to deliver the social services that will be required when a scheme is completed also needs to be considered carefully. In view of the changing clientele or the expected socio-economic profile of the average social housing resident small estates will minimise the effect that large numbers of uniformly poor people could have on an area and would furthermore facilitate the ability of the receiving/existing communities to support and successfully integrate small social housing developments into the community fabric. The danger of overburdening existing socio-economic infrastructure in existing communities is also minimised through the development of small social housing estates/developments. It is, however, important to note that SHIs have resolved to continue with initiatives to enhance tenant participation, decentralise management functions and physical alterations to reduce the impact of crime on social housing estates.

6.3 MANAGEMENT STRUCTURES

Housing management can, according to the UN (1975:85), be accomplished in three ways:

- Self- management;
- Self -management with professional assistance; and

- Leaving the management function to professional management consultants/personnel/firms.

It is, however, important to note that no matter which of the above options are preferred, most SHIs make use of some or other variation of the models represented by Figures 6.1 and 6.2. (Note that Figures 6.1 and 6.2 are self-constructed graphical representations of the management structure models described in the literature.)

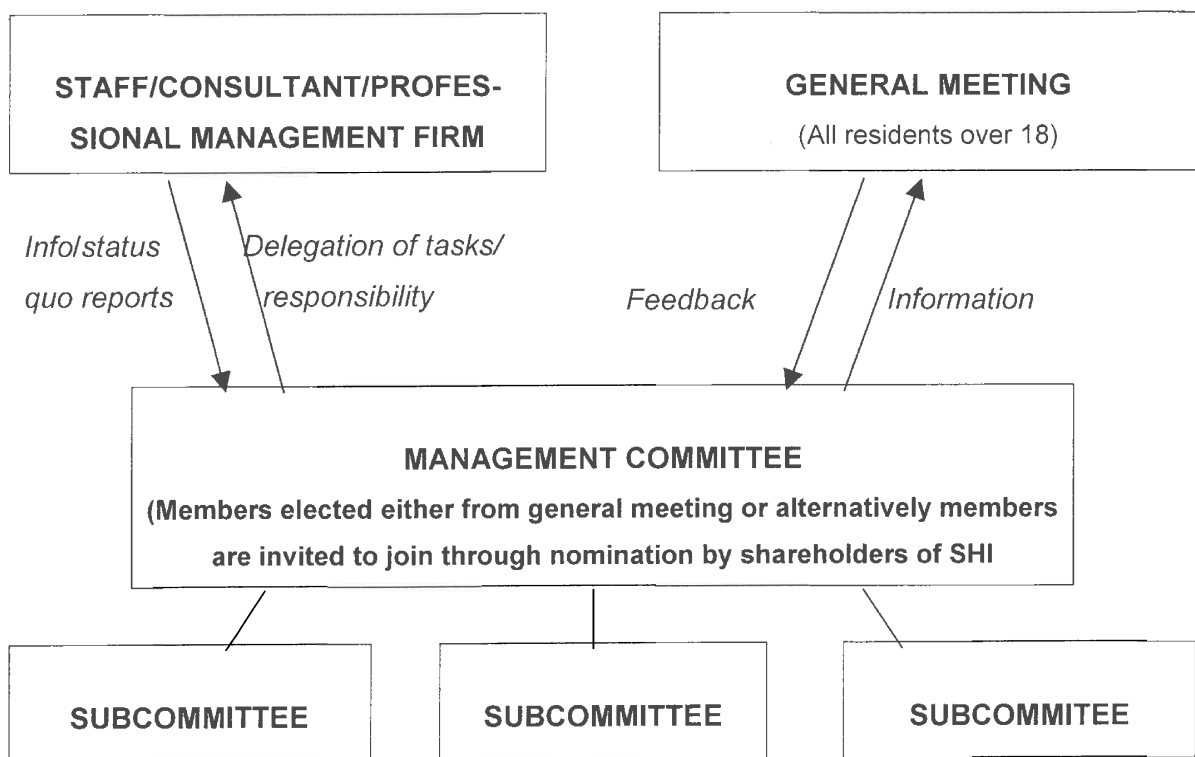


FIGURE 6.1 Management structures used by small housing associations/SHIs

Source: Self-constructed

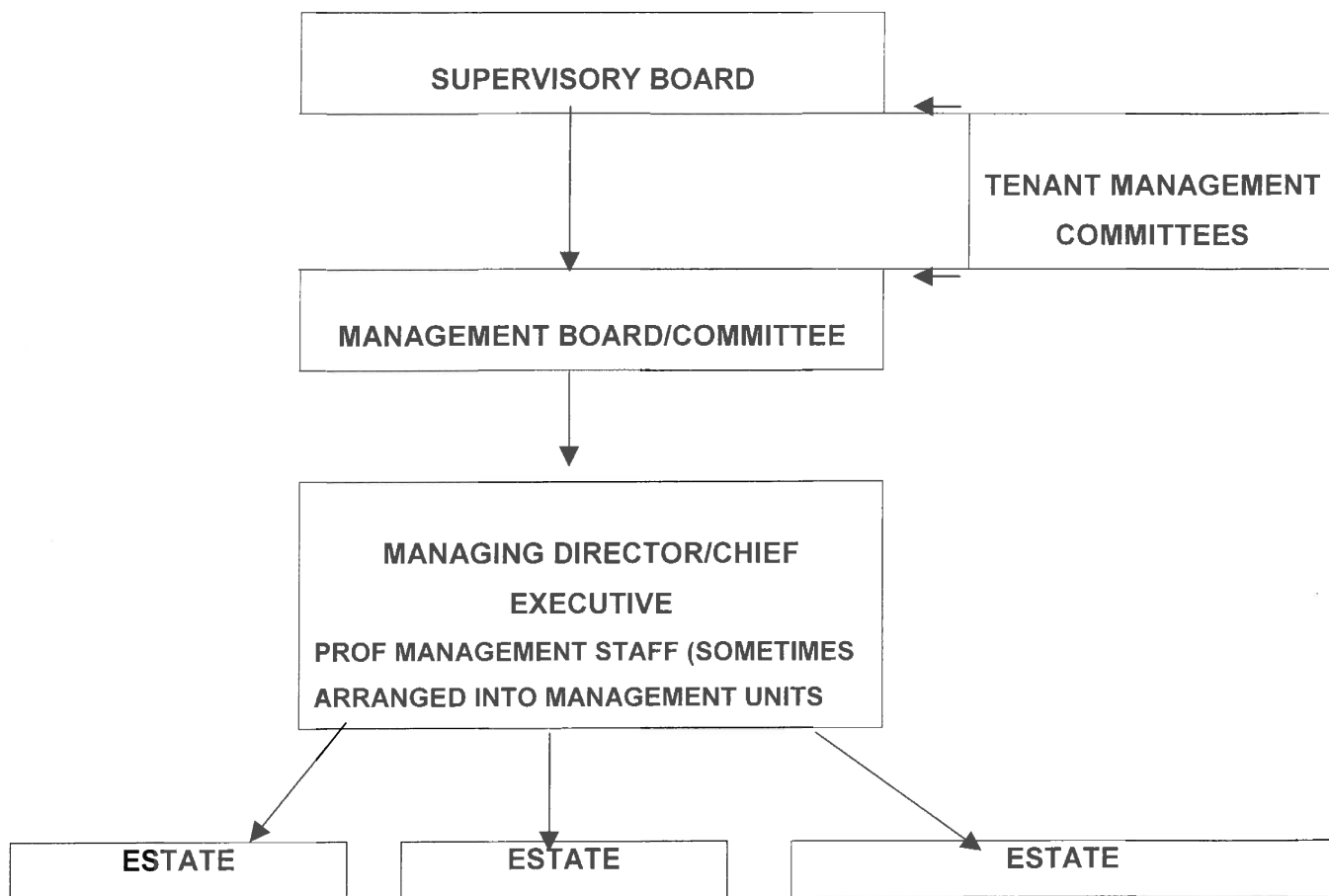


FIGURE 6.2: Management structure preferred by large housing associations/ SHIs

Source: Self-constructed

The above management structures are in essence very generic to SHIs worldwide. They are applied with slight differences in accordance with legislative and policy directives of each particular country. The principle, however, remains the same – the size and complexity of the SHI’s portfolio will in the absence of legislative or policy directives determine which structure, and what variation thereof, will be adopted. For the purposes of this section it will thus be very cumbersome, and to some extent a fruitless exercise, to draw the attention of the reader to minute/small differences if the underlying principles remain approximately the same.

6.3.1 Management structures used by small housing associations/SHIs

The model illustrated by figure 6.1 is often used by SHIs and co-operatives with only one or two estates to manage. Birchall (1988:113) argues that a small social housing estate can be managed by just the general meeting which will then accept responsibility for *inter alia* unit allocation, maintenance and rent collection. The general meeting refers to the gathering of all residents 18 years and older. If the estate becomes too large and the residents become too many for a general meeting to make effective decisions through consensus, it becomes necessary to elect a management committee.

It is important to note that the members of the management committee can either be elected from amongst the members at the general meeting or can consist of people not affiliated with the particular estate who are in possession of particular skills or valuable experience (CECODHAS, 1999:59 and Alder and Handy, 1987:241). Baker (1976:500) is of the opinion that it is important to ensure that the management committee consists of people from quite diverse backgrounds including *inter alia* financial management, law, social services and planning. If the general meeting has the necessary skills represented amongst its members there is no need to request skilled members of the broader community to join the management committee. Self management will bring costs down but it is important to note that poor self management is more costly than employing qualified staff or inviting people of standing in the community to contribute their skills on a voluntary basis (Rogers, 1999:81).

The duties of the management committee includes, according to Baker (1976:289), *inter alia* the following:

- Drafting tenancy agreements, stipulating clearly what the obligations and rights of the residents are;

- Complying with all the duties imposed on SHIs by law or other instructions lawfully issued by the government or government agencies;
- Conducting the affairs of the SHIs in accordance with the letter and the spirit of the rules/bylaws;
- Maintaining adequate supervision of staff, including consultants and management firms, employed by the SHI; and
- Regular communication with the general meeting regarding the positive or negative results achieved by the SHI as well as changing policies and practices.

Cope (1990:164-201) and CECODHAS (1999:13) argue that the management committee is also responsible for:

- Formulating a development strategy that outlines the aims and objectives the SHI wants to achieve over say the next five years;
- Regular examination of the performance of the SHI's performance in comparison with the targets set out in the development strategy;
- Allocating vacant units;
- Drafting new policies/practices to address problem areas;
- Overseeing the annual management and accounting audit which reveal the strengths and weaknesses to be addressed through management practise; and

- Overseeing repairs and maintenance activities to ensure that they are carried out to the satisfaction of the tenants.

Alder and Handy (1987:244) is of the opinion that members of the management committee must sign a code of conduct that should *inter alia* stipulate that:

- Members should not be able to award work created out of the efforts of the SHIs to themselves or family members;
- The members remain accountable to the general meeting; and
- Members who have served for a continuous period of two years should be barred from re-election for a period of one or two years.

As can be observed in figure 6.1 the management committee can set up subcommittees that can take over the responsibility of fulfilling some of the functions listed above. According to Cooper and Rodman (1992:81) popular subcommittees include those responsible for:

- Member selection;
- Maintenance;
- Landscaping;
- Member education and training; and
- Financial control/supervision.

These subcommittees have to report to the management committee on a regular basis concerning their activities. The management committee does, however, retain the

responsibility of ensuring that these activities are carried out in accordance with existing policies and bylaws.

The management committee furthermore has the option of appointing, after consultation with the general meeting, professional staff or securing the part time service of a professional management firm to take over some of the duties of the management committee. According to Birchall (1988:165-178); Lowe and Hughes (1991:17); Cope (1990:292); and Alder and Handy (1987:257), it is important to adhere to the following principles when part or even all the management responsibilities are contracted out or carried out by professional staff in the employment of the SHI:

- Establish a democratic structure through which SHIs can gain control of its affairs in time of crisis;
- Complaints policies and procedures must be formulated;
- Authority to incur expenditure should be held at one central point;
- Adequate reporting systems are put in place;
- Performance indicators are set – so that performance of service providers can be evaluated objectively;
- Clear lines of accountability are established;
- The respective functions of the committee of management versus that of the external or internal service providers should be spelt out clearly and concisely;
- A clause should be written into the management contract indemnifying SHIs in respect of the wrongdoings of service providers; and

- A mechanism must be created through which disputes with service providers can be resolved, or alternatively, would allow for their dismissal.

6.3.2 The management structure often used by large SHIs

The model depicted in Figure 6.2 is often used by SHIs that have numerous estates to manage collectively under the auspices of one management policy or strategy. The supervisory board (see Figure 6.2) does not form part of the management structure in all countries. It is, however, according to CECODHAS (1999:37) compulsory for SHIs in the Netherlands to appoint a supervisory board. According to CECODHAS (1999:22) the appointment of a supervisory board is optional in France. Members of the supervisory board are usually individuals of high standing in the broader community. These members have a diverse and wide range of professional and business knowledge tempered by an inherent concern for those with a housing need. If such a body is not appointed, its functions are merely fulfilled by the management board or committee. The supervisory board's primary responsibilities include, according to CECODHAS (1999:22-37), the following:

- Monitoring the activities of the management board;
- Setting the general housing policy framework of the SHI;
- Providing advice and guidance to the members of the management board on request;
- Acting or intervening where necessary; and
- Ratifying a number of legally defined decisions, set out in the bylaws, put before the supervisory board by the management board.

The management board controls the business activities of the SHIs within the policy guidelines set by the supervisory board, if in existence (CECODHAS, 1999:19). The management board usually have representatives from *inter alia* local authorities, trade unions, tenants and professional staff in the employment of the SHI. The management board is thus responsible for the overall administration of the SHI (Lundqvist, 1992:42). The members of the board usually appoint a chairman of the board and this person then officially represents the organisation (CECODHAS, 1999:19). The board as a whole then appoints a managing director or chief executive who is responsible for the day-to-day management of the SHI, which includes activities like:

- Preparation of the budget;
- Recruitment of staff;
- Management and supervision of staff; and
- Signing of contracts and policy proposals ratified by the management board and if in existence the supervisory board.

The professional staff in the employment of the SHIs is in some instances divided into management units (Lundqvist, 1992:42). These management units usually have particular estates that they are responsible for managing. Stated differently the management units perform all the activities listed in section 6.3.1 as the responsibilities of the committee of management.

As was earlier stated in section 6.2, the new housing management approach adopted since the mid 1970s stresses the importance of tenant participation in housing management. According to Kroes, Ymkers and Mulder (1988:193) this emancipation of tenants also led to tenants assuming greater responsibility for the quality of the environments they reside in.

According to CEDODHAS (1999:48) residents on larger estates often form tenant management committees. These tenant management committees are entitled to nominate people to represent the interests of tenants on the management board. Tenant committees, as is indicated in Figure 6.2, usually have regular meetings with the management unit responsible for the management of their estates. The aim of these meetings is to discuss matters of mutual interest and to provide input into the formulation of new policies or strategies.

6.4 MANAGEMENT FUNCTIONS

According to the UN (1975:77) and AEDES (1999:11) successful SHIs require good management practices in the areas of *inter alia*:

- Unit allocation;
- Maintenance;
- Rent collection; and
- Tenant participation.

In this section each of these performance areas are discussed.

6.4.1 Unit allocation

Cope (1990:190) argues that unit allocation is the practice of matching the size and nature of the property with the requirements of the applicant/prospective resident. It is thus quite important for SHIs to have clear aims and objectives regarding the need they want to meet or the clientele they want to assist. Policies and rules, regularly contained in bylaws, will according to Niner and Karn (1985:34), determine:

- Who is eligible to be considered;
- Who has priority among those that are eligible; and
- Who will in the face of competing claims be awarded the unit in question.

According to Niner and Karn (1985:37) there are quite a few considerations that SHIs take into account when they are formulating their allocation policies – these include:

- The desire to give priority to those in greatest need;
- SHIs also wish to prevent properties from being vacant for too long as it increases overhead costs;
- The desire to reduce future management problems;
- The wish to assist applicants to match their preferences in terms of size, location with a suitable unit; and
- The need to create balanced communities.

It should be clear that these objectives will more often than not conflict with one another. The allocation processes itself and the policies it is based upon thus strive to create balance between these objectives. It is, however, important to note that the selection process is inherently complex and open to various influences, expectations and/or manipulations.

Different countries use different criteria to prioritise applicants. In Britain the Housing Corporation has, according to Niner and Karn (1985:43), suggested that SHIs consider the following criteria in prioritising applicants:

- The applicant's existing housing conditions;
- The applicant's ability to cope with these conditions;
- The length of time the applicant has had to put up with these conditions; and
- What are the future prospects of the applicant to obtain alternative suitable accommodation elsewhere.

Smith, Griffiths and Stirling (1997:679), however, argues that there is a growing realisation in Britain that the practice of giving preference/priority to only those applicants in the greatest need, lead to:

- Segregation of households;
- Polarisation of the social housing sector; and
- The concentration of the most deprived and disadvantaged groups in low quality housing in unpopular estates.

This realisation has led to a shift in the re-housing policies of SHIs in Britain away from allocations made solely on the basis of need to one that strives to create balanced communities in an effort to minimise future management problems (Smith, Griffiths and Stirling, 1997:679). This shift was made possible by the fact that SHIs in Britain are free to determine their own allocation criteria (Kroes, Ymkers and Mulder, 1988:118). SHIs in Britain are, however, required to make public their allocation procedures and policies (Alder and Handy, 1987:265). According to CECODHAS (1999:71) SHIs are also required to keep a record of the demographical and socio-economic profiles of successful candidates to enable both the Housing Corporation and the SHIs themselves to monitor whether or not the SHI in question is guilty of

discrimination or not. It is, however, important to note that SHIs in Britain may be required by law or regulation to recognise certain priorities like housing need, and the creation of balanced communities in their allocation policies/procedures (Smith, Griffiths and Stirling, 1997:687). In addition to the guidelines of Housing Corporation already listed, the Housing Corporation has, according to Niner and Karn (1985:43), made it known that SHIs should as far as practically possible abide by the following two guidelines:

- If SHIs are heavily subsidised with public money they are expected to give preference to those in real housing need; and
- The goal of allocation policies is to ensure that balanced communities are created – SHIs are thus cautioned against taking on problems (e.g. management problems) that are beyond their resources to address in the long term.

In both France and Denmark SHIs are also striving to create balanced /diverse communities within their social housing estates (CECODHAS, 1999:18 and Lundqvist, 1992:39). The SHIs in these two countries do, however, reserve the right to turn away applicants whose income is above certain prescribed limits. In Denmark 25 percent of all social housing units is made available to households registered by local authorities as households in need of assistance (Lundqvist, 1992:39).

According to Lane (1995:879) SHIs in the USA are also trying to create mixed income communities within the social housing estates. SHIs in the USA even provide incentives to working class families/individuals to move into and remain in social housing estates.

Germany has, however, according to Kroes, Ymkers and Mulder (1988:297) recently revised their allocation policies to increase the availability of social housing units to those in the greatest housing need. In Nicaragua SHIs tend to give preference to

families with many children, key workers and families experiencing difficulties in finding suitable housing in the market place (Mathey and Pini *et al* 1985:46).

In the Netherlands local authorities experiencing housing shortages in their areas of jurisdiction can apply to the national government to make the Housing Allocation Act applicable in their jurisdictional areas (Kroes, Ymkers and Mulder, 1988:209). This enables the local authorities in question to issue housing permits through which they can ensure that the available social housing units are also available to people in the greatest housing need. An effort is also made to match the needs of the households with the characteristics of the vacant dwellings (Minister of Housing, Spatial Planning and the Environment, 1997:26). In areas where the Housing Allocation Act is not applied/applicable, SHIs can accept candidates in accordance with policies they have formulated themselves (AEDES, 1999:22).

As was discussed in chapter 5, SHIs in South Africa are to a great extent dependent on institutional subsidies to undertake new development projects. This means that households earning more than R3 500/month are generally not included in social housing projects (SHTT, 1999:31). The emergence of mixed income or balanced communities is thus not encouraged. Although there are no statutory rules that prohibit SHIs from accepting middle or high-income residents the current subsidy system has a filtering/self selecting influence that favours people earning R1 500 to R3 500/month (Chalmers, 1998:3). On the other hand people earning less than R2 500/month have difficulty affording the monthly charges (Vatula, 1999:11). The SHTT (1999:56) have in their proposals to government recommended that new criteria be introduced for evaluating projects that seek to qualify for institutional subsidies. This was done to try and ensure that diverse family types and income levels can be accommodated in social housing. SHIs in South Africa are, within the financial limitations already discussed, trying to ensure through their allocation policies that balanced and diverse communities come into being.

From the above it should thus be clear that different countries use different criteria to prioritise prospective social housing residents. Some give preference to those in the greatest housing need without really considering the long-term effects of such a policy. Others are trying their best to balance the social obligation to help/assist those in need with the need to ensure the financial continuance of the institution. These SHIs try to create balanced communities that will not overtax or require more assistance than what the SHI can provide. It is, however, important to note that the allocation policies adopted within a specific country are influenced by the housing shortage or need in that particular country.

Some of the most frequently used allocation/selection methods include:

- SHIs entering into agreements with various other voluntary agencies or specialised interest groups to accept referrals from them and to give priority to the candidates referred by these agencies/groups (Niner and Karn, 1985:40). According to Cope (1990:188) these voluntary agencies have already investigated and passed some judgement on the suitability of the applicants referred by them – this saves the SHIs time and effort. It is, however, important to note that even though these referral agencies might act as a filter for direct applications, they often have their own private agendas. It is thus crucial to ensure that such agendas overlap with what the SHI in question is trying to achieve (Niner and Karn, 1985:44). This method/practice is often used in Britain and the USA.
- Waiting lists. Many SHIs use waiting lists based on a points system through which the extent of the personal or family need is quantified (CECODHAS, 1999:70). Points are e.g. awarded/allocated for number of children, disability and unsuitability of present accommodation etcetera. The number of points scored would then determine the priority on the waiting list. Alternatively qualifying applicants are ordered on the waiting list in the sequence/date order they have applied (Cope, 1990:189). Page (1993:36) stresses the importance

of putting together a thorough tenant history of every applicant allowed onto the waiting list to avoid ending up with applicants with histories of violence or racism. Niner and Karn (1985:40) and Cooper and Rodman (1992:116) regard it as important to try and keep the waiting list to a reasonable length. If the list becomes too long applicants get discouraged and drift away, but on the other hand if the list is too short SHIs might scramble to fill an unexpected vacancy. The length of the list as well as the time it takes/requires for an applicant to be accepted influences the type/sort of need the SHI in question can address. Waiting lists are used extensively in *inter alia* Britain (CECODHAS, 1999:70), France (CECODHAS, 1999:18), Denmark (Lundqvist, 1992:39), Germany (Kroes, Ymkers and Mulder, 1988:168), Norway (Kroes, Ymkers and Mulder, 1988:125), USA (Cooper and Rodman, 1992:98), Canada (Smith, 1995:910); Botswana (Larsson, 1989:85) and South Africa (Jaffee, 2000).

- Delft model. According to Richard (1997:83) and CECODHAS (1999:42) this model is an applicant led allocation tool/model. SHIs advertise all vacant dwellings in a special newspaper delivered from door to door (Minister of Housing, Spatial Planning and the Environment, 1997:27). Prospective applicants only apply to be awarded those units they are interested in. If more than one applicant apply to occupy a particular unit, criteria that include the following are considered:
 - number of years the applicants have been registered with local authorities as accommodation seekers;
 - number of years spent in the dwelling they are presently occupying; and
 - whether or not one of the applicants is in possession of an urgency card issued by local authorities in cases of extreme need.

CECODHAS (1999:42) argues that the Delft model has the following advantages:

- the system encourages people to search for suitable accommodation themselves;
- it fosters positive attitudes since the applicants all obtain houses of their own choice;
- it involves much less bureaucracy; and
- the model quickly reveals which units/houses are popular and which are not.

The outcomes of the selection process are also published in the newspaper so that all applicants have the opportunity to see the age and waiting time of the successful candidate (Richard, 1997:83). The Delft model is being used in the Netherlands (AEDES, 1999:22) and a substantially similar model/method is in use in Finland (Kroes, Ymkers and Mulder, 1988:42).

From the above it should be clear that the creation of viable communities in social housing depends to a large extent on the allocation/selection policies and practices. The specific allocation or selection method utilised within a particular country will depend to a large extent upon the capacity within SHIs to undertake complex and time consuming procedures as well as the approach adopted by the specific country. The objective to create balanced communities within social housing estates will be much more demanding than to simply give preference to all applicants with an income below a particular limit.

6.4.2 Maintenance

The purpose of maintenance is to maximise the lifespan of assets, in this case social housing units (Cope, 1990:210). Lowe and Hughes (1991:116) argue that maintenance is a crucial function in ensuring the continual popularity of social housing estates. According to Lane (1995:879) it is important not to defer maintenance activities as such a decision will take its toll and lead to the premature decay of the social housing stock in question. Furthermore the result of neglected maintenance is

plain for all to see and that has a negative impact on the atmosphere of the whole estate. Such a negative atmosphere result in most cases in increased vandalism, tension between the landlord and the tenants and lastly causes damage to the general reputation of the landlord (SHIs).

It is, however, important to note that tenancy/lease agreements concluded between tenant and landlord usually set out the maintenance responsibilities of each party (Cope, 1990:209). SHIs in most instances try to achieve a balance between the responsibilities of the tenant versus that of the landlord. Tenants are, according to Lewin (1981:88), responsible for small or minor repairs that can include changing of light bulbs. In Britain SHIs as landlords are obliged by statute to carry out the repair functions listed or attributed to them in the tenancy/lease agreements (Kroes, Ymkers and Mulder, 1988:269). In South Africa the Rental Housing Act, 1999 (Act 50 of 1999) in section 5(2) states that a landlord must, if so requested by a tenant, have a lease agreement drawn up that must in accordance with section 5(6)(g) set out the obligations of the tenant and landlord. In Finland SHIs that neglect their maintenance responsibilities can be compelled by local authorities to make the necessary repairs through imposed penalties and fines (Kroes, Ymkers and Mulder, 1988:42). Alternatively the local authority can have the repair work done and can bill the landlord for all expenses incurred. Tenants also have the right to have repair work carried out at the landlord's expense if the landlord does not respond to reasonable requests. In South Africa the Rental Housing Act, 1999 (Act 50 of 1999) makes provision in section 13 that any tenant or landlord or group of tenants or landlords or interest group may in the prescribed manner lodge a complaint with the Rental Housing Tribunal of the province, established in terms of section 7 of the Rental Housing Act, concerning an unfair practice which in terms of section 13(4)(c)(iv) includes a lack of maintenance. In such an instance the Rental Housing Tribunal may issue an order to discontinue such a state of affairs.

According to Kroes, Ymkers and Mulder (1988:271) and AEDES (1999:18) SHIs are usually in terms of the tenancy agreements responsible for two types of maintenance:

- Unplanned maintenance. Unplanned maintenance activities usually take place when tenants file a complaint and request that one or other feature of their houses be fixed. SHIs try to minimise these individual repairs, as they are quite expensive to carry out. Once a complaint has been lodged it is classified as an emergency repair, an urgent repair or a normal repair. SHIs usually try to fix emergencies within a 24-hour period, urgent repairs within five working days and normal repairs within 20 working days. Cope (1990:209) argues that it is good practise to inform tenants of the types of maintenance services offered/carried out, the method of reporting complaints, response time objectives and complaints procedures that can be followed if tenants are not satisfied with the service rendered. One of the strategies used to reduce individual repair requests is to intensify the repair and maintenance procedures carried out when new tenants move in. Some SHIs visit all units under their management at least once a year, even in the absence of complaints, to assess their current condition. These extensive stock surveys enable SHIs to plan for and carry out intervention/preventative maintenance activities in a systematic manner.
- Planned maintenance. Planned maintenance includes cyclical activities e.g. repainting the exterior of the building and servicing the lifts. Planned maintenance activities are regularly reviewed/adjusted depending on the outcome of the annual stock surveys. It is important for SHIs to increase the maintenance budget of the older buildings under their management to compensate for the increased expenses that accompany older buildings.

In carrying out unplanned and planned maintenance activities SHIs strive, according to Cope (1990:210), to provide a service that is:

- Customer centred;

- Provides value for money;
- Operates in terms of consistent policies and procedures; and
- Characterised by sound budgetary control.

In order to ensure that there is no deviation from the above stated principles, most SHIs carry out a regular monitoring of repairs done in relation to expenses incurred and tenant satisfaction.

According to Emms (1990:303) few SHIs in France, the former West Germany and the Netherlands have their own internal/in-house repair divisions. Most make use of specialist contractors when and if they are needed. Some SHIs in South Africa e.g. Cope Housing Association, provide property maintenance services on contract to other smaller SHIs (Jaffee, 2000). In Britain some of the bigger SHIs have specialist maintenance departments that enable them, according to Cope (1990:212) to:

- Develop greater consistency and co-ordination in maintenance practises;
- Develop and have constant access to technical expertise at a moment's notice; and
- To develop customised planned maintenance and programmes that are underpinned by a strategic service orientation.

Smaller SHIs in France, the former West Germany, Netherlands and Britain usually opt to appoint resident caretakers that are, according to Emms (1990:304), responsible for *inter alia*:

- Ensuring that the estates remain neat and tidy;

- Facilitating the exchange of information between tenant and landlord (SHI);
- Reporting repairs and carrying out small repairs themselves; and
- Assisting prospective tenants to view vacant properties they are interested in.

When resident caretakers are not able to repair the problem these smaller SHIs engage the services of specialist contractors to carry out the needed repairs/maintenance activities.

From the above it should be clear that the size and configuration of the specific SHI's portfolio would determine whether or not it is feasible/advisable to have an in-house maintenance department. Smaller SHIs are usually not able to afford the appointment of maintenance personnel that can fix problems ranging from blocked drains to structural defects. If a SHI has a large portfolio, an in-house maintenance department might, however, prove to be cheaper in the long term than to pay the hourly tariffs of specialist maintenance firms. The appointment of resident caretakers can prove to be useful to SHIs ranging from the smallest to the largest. These caretakers are the landlord's representatives on the estates and if carefully appointed can save the SHIs a lot of money by carrying out small repairs.

6.4.3 Rent collection

According to Cope (1990:135) rent collection is one of the basic elements of a holistic management policy, since rental income more often than not represents SHIs' sole source of income. It is thus important for SHIs to match their planned expenditure to the resources in hand or that which can reasonably be expected in terms of rental income (Mathey and Pini *et al*, 1985:58). Since rent collection is so central in ensuring the financial viability of SHIs, Cope (1990:201) argues that it is the task of management to maximise the income from rents charged through effective arrears control. Rohe (1995:454) cautions that vacancies and late rent payments can, in view

of the fact that SHIs are increasingly dependent on private/commercial financing, cause SHIs to fall behind with their mortgage payments.

According to Mauseth (1999:62) up to 65 percent of the social housing project costs in South Africa is financed through long-term loans. It should thus be obvious that SHIs in South Africa can not afford non-paying tenants, as it will cause them to fall behind with their mortgage payments. The Rental Housing Act, 1999 (Act 50 of 1999) in section 4(5)(a) states that the landlord's rights against the tenant include his or her right to prompt and regular payment of a rental or any other charges that may be payable in terms of the lease. The Rental Housing Act, 1999 (Act 50 of 1999) furthermore states in section 5(6)(c) that lease agreements must clearly indicate the amount of rental of the dwelling as well as reasonable escalation rates. Landlords have recourse to the Rental Housing Tribunals if tenants do not abide by section 4(5)(a) referred to above. On the other hand tenants can also lodge a complaint with the Rental Housing Tribunals against exploitative rents (section 13(4)(c)(iii)).

The implementation of an effective arrears control policy depends to a great extent on having access to accurate and up to date information on any arrears that occur (Emms, 1990:78). SHIs world-wide are in general expected to keep rent arrears and voids (vacant units) down to between four and five percent of the expected rental income (Cope, 1990:207 and Bratt and Vidal *et al*: 1998:41). One or a combination of the following strategies are often used by SHIs to ensure that they achieve the target of collecting more or less 95 percent of rents due:

- Following up arrears promptly (Baker, 1976:431);
- Imposing penalties e.g. fines, for rent arrears, a strategy that was used in the former USSR (Emms, 1990:285);

- Transfer of persistent rent arrears cases to hostel accommodation or less popular estates, a strategy that was also used within the former USSR (Emms, 1990:285);
- Researching prospective tenant's history thoroughly before they are allocated units (Page, 1993:36);
- Providing a debt counselling service since it became apparent that tenants who fell behind with their rent payments generally have fallen behind with other bills as well (North British Housing Association: <http://www.nbha.co.uk/nbhadiv.html>);
- Providing convenient pay-points through local offices and banks (CECODHAS, 1999:75);
- Offering a range of collection methods/payment methods to enable tenants to choose the option most convenient to them (Cope, 1990:203); and
- Landlords (SHIs) adhering strictly to their responsibilities set out in the tenancy agreements (Cope, 1990:203).

Cope (1990:201) argues that the traditional door-to-door method of rent collection still renders the lowest levels of rent arrears. Employing such a method solely for rent collection is, however, often not feasible especially within SHIs that have large portfolio's under their direct management. Smaller and medium size SHIs sometimes use the door-to-door collection method if they are in a position to use the face to face contact with the tenants as an opportunity to observe the condition of the units on a regular basis. This meeting between the collector and the tenant also present the tenants with regular opportunities to raise any complaints and or concerns they might have.

In view of the above it is important for each SHI to develop a rent collection policy that works well for them. It might entail the combination of several of the strategies mentioned above depending on the size and configuration of SHIs' portfolios as well as their specific tenant profile. Rent collection/income is the lifeblood of SHIs and should be pursued with enthusiasm and diligence if SHIs are to ensure their financial continuance. SHIs should also be willing to adapt/change their rent collection strategies if their arrears increase. The rent collection statistics can almost be seen as a measurement/barometer of the health of the SHI. If it is not up to standard it is a sure indication of some underlying problem that needs to be identified and addressed quickly and efficiently.

6.4.4 Tenant participation

As was earlier stated in section 6.2 one of the key characteristics of the socio-economic accompaniment management approach adopted since the late 1970s, was the importance given to the enhancement or improvement of tenant participation in management and policy formulation. This important shift took place as a result of a growing realisation that tenant participation has *inter alia* the following benefits:

- It improves the accountability of SHIs (Blewitt and Garratt, 1993:5);
- Tenants are exposed to situations and opportunities that can help or assist them to develop new skills (e.g. financial management and building maintenance) and self confidence (Rogers, 1999:77; Cooper and Rodman, 1999:193; and Prince, 1995:735);
- Problem estates are turned around much easier if tenants are actively involved in the rehabilitation process (Emms, 1990:227);

- Tenants exhibit an increased sense of responsibility in their use and maintenance of the buildings they are occupying (Kroes, Ymkers and Mulder, 1988:52);
- Tenant participation reduces suspicions that rents are unreasonably high (Kroes, Ymkers and Mulder, 1988:52);
- Tenant participation improves tenant/resident satisfaction (Smith, 1995:918);
and
- Cost effectiveness is improved as a result of the increased sense of attachment and ownership experienced by tenants (Cooper and Rodman, 1992:193);

It is as a result of the above-mentioned benefits that the SHTT (1999:15) in their recommendations to the South African Government came out strongly in favour of supporting tenants participation in the management of social housing estates. Jaffee, (2000) also argues that high levels of tenant participation are inherent in much of the social housing projects carried out thus far.

There are, however, factors that, according to Cope (1990:215) and Blewitt and Garratt (1993:5) inhibit participation, viz:

- A lack of induction training for new members/residents regarding, for example, what their responsibilities are and what the possible benefits of participation can be;
- Hostility from professional staff or the committee of management;
- Inadequate information regarding rent, maintenance and demolition or sales policies;

- Complexity of the participation system;
- Long ineffective participation meetings; and
- Lack of support facilities/resources e.g. childcare facilities for single parents.

Tenant participation can, according to Blewitt and Garratt (1993:5), be enhanced by initiatives to provide tenants with clear information about their rights and duties and creating a legitimate system through which they can influence SHI policy and practise. SHIs would thus conduct their affairs openly and consult tenants regularly regarding policies and practises that might influence/affect them.

Cronberg (1986:68-80) argues that there are three models or approaches to tenant participation/democracy, namely:

- Co-operation model/approach. The motivation for tenant participation in terms of this model is the desire/aspiration to create harmony between the interests of the tenant and the SHI. Tenant representatives/the tenants themselves do not have formal decision-making powers. They are either in the minority in decision-making bodies or else proposals made by them must be formally ratified by other management structures/bodies. If there is a conflict of interest between the SHI and tenants, the view of the tenants will only survive if they are capable of convincing others of the merit of their proposals.
- Negotiation model/approach. This model is based upon an assumption of tension between the tenant and management structures. The said assumption implies that both sides will build up their respective organisations (capacity) in anticipation of meeting each other around the negotiation table to sort out an agreement acceptable to all. This approach implies joint decision-making or a partnership of sorts between tenants and the SHI. It is, however, important to note that the housing authority (SHI) retains the decision-making powers even if

tenants are granted a formal opportunity to impact on the decision-making process.

- Self- management model/approach. In terms of this model tenants have autonomous decision-making powers on either all management issues or only in regards of specific issues delegated to them.

Different countries have as a result of their unique political and socio-economic circumstances adopted different models. According to Emms (1990:225) tenant participation in the former USSR was to a large extent advisory in nature, hinting at the first two models discussed above. In contrast there are statutory requirements in *inter alia* Britain (Lowe and Hughes, 1991:97 and Alder and Handy, 1987:252); France (CODHEDAS, 1999:25); the Netherlands (AEDES, 1999:24); Sweden (Kroes, Ymkers and Mulder, 1988:94) and Denmark, Norway and Finland (Cronberg, 1986:68) that make tenant participation or consultation compulsory. It can thus be speculated that tenant associations in these countries are, subject to being able to demonstrate their management ability, in a better position to request that SHIs give them a chance to adopt the third model discussed above. Although the Rental Housing Act, 1999 (Act 50 of 1999) in South Africa has as one of its aims to provide for the facilitation of sound relations between tenants and landlords through the laying down of general requirements relating to leases, no particular reference to tenant participation/consultation could be found. It is, however, a well-known fact that tenants in general are encouraged to assume greater control of their housing environments. Rogers (1999:80) argues that it is important to balance the responsibilities delegated to tenants and the powers awarded to them. This balance will differ from country to country as capacity and institutional support services differ.

Irrespective of the particular model or variance thereof adopted in the different countries, tenant participation can, according to Birchall (1988:65), be direct through the general meeting in the case of small SHIs. Alternatively tenant participation in the medium to large SHIs can be representative in nature in which case it will take place

through the management committee, the supervisory board or management board. (See Figures 6.1 and 6.2 for representation of the management structures adopted by small SHIs versus those typically adopted by medium to large SHIs). The size of the SHI will thus determine which one of these two options is feasible.

There are numerous methods through which tenant consultation/participation can take place. These include *inter alia* newsletters, housing officers meeting tenants, surveys/questionnaires, public meetings and the establishment of tenant forums (Blewitt and Garratt, 1993:17). It is, however, important to create the right conditions for a culture of participation and consultation to develop (Birchall, 1988:172). This can be achieved through *inter alia*:

- Information sharing in the form of letters, memorandums, personal calls and meetings (Baker, 1976:467 and CECODHAS, 1999:48);
- A well published grievance procedure that is transparent in nature and easy to use (Cope, 1990:213);
- Promoting the establishment of tenant participation committees/tenant associations (CODHEDAS, 1999:77);
- Providing tenants with a meeting place (Page, 1993:41);
- Listening, learning and experimenting to find the participation method most suitable to the SHI in question (Blewitt and Garratt, 1993:9);
- Ensuring that tenant representatives actually represent the views of all tenants (Blewitt and Garratt, 1993:9);
- Allowing tenants to contribute their experiences and expertise (Blewitt and Garrat, 1993:9);

- Providing the resources to promote tenant participation e.g. finance, training, commitment from top management and a clearly defined participation policy (Thurnhurst *et al*, 1992:90);
- Arranging informal gatherings so that people can get to know one another (Maritime Housing Association: <http://www.merseyworld.com/maritime.html>);
- The appointment of a consultant/social worker (community facilitators) to work with the tenants to develop a strategy to improve tenant participation (Page, 1993:41);
- Acknowledging that people's time and energy to contribute/participate might vary considerably (Cooper and Rodman, 1992:195); and
- Making the time spent on participation attractive, rewarding and interesting (Cooper and Rodman, 1992:273).

In spite of the above it is important to realise that universal participation is an unrealistic goal. It is, however, important to create opportunities for tenants to participate should they wish to do so. SHIs that respect the views of tenants and treat all people fairly will create good will that will result in financial dividends. In contrast, a paternalistic and or authoritarian treatment of tenants will create unresponsive and apathetic tenants that add to the difficulty of managing such estates effectively and economically.

6.5 CONCLUSION

In conclusion it can be argued that housing management is one of the most important factors determining whether or not social housing estates will flourish or decline. It is,

however, important to realise that there are three factors that fundamentally affect the relative ease or difficulty of social housing management namely:

- The choice/location of a social housing estate determines the local environment within which people will live. Some of the worst residualised social housing estates can be found on the outskirts of towns removed from shopping, health, entertainment and recreational facilities. Given that social housing estates in most instances provide a refuge for people of limited financial means it is vitally important to locate these estates where they can readily be serviced by schools, shops, and transport facilities. Clearly such areas cannot be found in marginal/peripheral areas even though land might be available and relatively inexpensive in such areas. Consideration should rather be given to small pockets of undeveloped land within existing neighbourhoods. In this regard special attention should be given to areas becoming available through land releases by public authorities or recently privatised utility companies rationalising their land holdings.
- Size of social housing estates. Experience elsewhere indicated that most stigmatised/residual social housing estates are large, which in itself represents a powerful argument for SHIs to keep their developments small. The ability of existing communities to support and successfully integrate small social housing estates into the community fabric is also optimised through small social housing estates since the chances of overburdening existing socio-economic infrastructure is less likely.
- The quality of rehabilitation or construction work. If either one of these two were not done to an acceptable standard, future management inherits ongoing problems, which puts pressure on the budget of the SHIs and furthermore leads to tension with and amongst tenants.

The approach to social management has undergone numerous changes over the years. Octavia Hill (1838-1912) is often cited as the founder of the philosophy underpinning social housing management. She believed that a certain style of management, often described as paternalistic and authoritarian, could be used to improve the moral welfare of the poor. In the early 1920s the social housing sector adopted a property-orientated approach, an approach that only focused on the property itself and included no social element. The 1930s saw a return to a more intensive management style where the managers once again acted as advisors to tenants experiencing difficulties. From the 1950s onward to the early 1970s housing managers moved away from close personalised contact with tenants as housing management became more remote and impersonal. In the early 1970s unprecedented managerial problems created an environment within which a property orientated management approach was not enough. This led to the emergence of the so-called socio-economic accompaniment approach which is associated with a broadening of the activities associated with housing management to include initiatives aimed at enhancing the quality of life on social housing estates as well as in the surrounding areas. Key characteristics of this approach include enhancing tenant participation, the decentralisation of management functions and physical alterations to buildings to reduce the impact of crime. Experience elsewhere have shown that bigger or larger social housing estates find it more challenging as a result of the sheer numbers involved to provide sensitive solutions to the problems being experienced by their residents. Size can thus make the task of adopting a socio-economic management approach that much more daunting given the fact that social housing estates in most instances provide a refuge for people of limited financial means that might have been homeless or traumatised in some other way on top of experiencing difficulty in finding employment.

The adoption of the socio-economic accompaniment approach literally means that the scope of management activities becomes limitless - resulting in programmes where the costs could not be controlled. Two approaches to this dilemma emerged in recent years. Some SHIs returned to the property management approach thus turning away

from the new set of demands. Alternatively SHIs resolved to undertake wide audits of available community service organisations operating in the vicinity of their estates and to conclude partnership agreements with these service providers to make their services available to the tenants of the SHIs in question.

Housing management can be accomplished through self-management, self-management with professional assistance or leaving the management function up to professional management consultants/personnel/firms. The size and complexity of the SHI's portfolio will in the absence of legislative or policy directives, determine which structure and what variation thereof will be adopted. Small SHIs usually manage their estates through the general meeting, or gathering of all residents older than 18 years. If residents are, however, too numerous for a general meeting to make decisions through consensus, a management committee is elected from amongst the general meeting members. In situations where suitably qualified people cannot be found from amongst members of the general meeting, people not affiliated with a particular estate that are in possession of particular skills or valuable experience can be invited to serve on the management committee. The committee is then made responsible for all aspects of the estate management. The management committee has the option to set up sub-committees that can take over the responsibility for functions that can include member selection, landscaping and member education. Professional staff can also be appointed but then it is important for SHIs to have a mechanism through which SHIs can gain control in times of crisis.

In cases where SHIs have numerous estates to manage collectively under one management policy/strategy they usually adopt a model that has a supervisory and/ or a management board. The supervisory board's main task is to set the general policy framework for the SHI and to monitor the activities of the management board. The management board controls the business activities and the overall administration of the SHI. The board usually appoints a managing director or a chief executive who takes responsibility for the day-to-day management of the SHI. Tenants on the larger estates often form tenant management committees that are, depending on the

byelaws of the SHI, entitled to nominate persons to represent the interest of tenants on the management and or supervisory boards.

Successful SHIs require good management practises in unit allocation, maintenance, rent collection and tenant participation.

Unit allocation is the practice of matching the size and nature of property with the requirements of the prospective tenant. When SHIs are formulating their allocation policies they often take into account considerations like: a desire to give priority to those in the greatest housing need, a desire to reduce future management problems and the need to create balanced communities. The allocation process itself and the policies it is based upon strive to create a balance between these often conflicting objectives. If a SHI gives priority only to those in the greatest housing need it leads to a concentration of deprived and disadvantaged groups in social housing estates, which creates a lot of management problems. SHIs in *inter alia* Britain, USA, France and Denmark are moving away from allocation policies solely based on wanting to help those in need, to policies striving to create balanced communities. Even though the general policy thrust is the same in the countries listed they still use different criteria to prioritise prospective tenants. Although SHIs in South Africa endorse the concept of balanced communities their dependence on institutional subsidies usually have the effect of excluding people earning more than R3 500 per month. Proposals made to government by the SHTT recommended that new criteria be introduced in the evaluation of institutional subsidy applications in order to ensure that diverse family types and income levels can be accommodated in social housing estates. In practice the Job Summit Pilot Project seems to support the idea of balanced communities since 25 percent of the houses built through the project is earmarked for private ownership while the remaining 75 percent will be for rental purposes.

Some of the most frequently used allocation and selection methods include: concluding referral agreements with various other voluntary agencies or specialist interest groups to accept referrals from them on a priority basis, waiting lists based on

a points system through which the extent of personal or family need is quantified and the Delft model which is an applicant led allocation tool or model. In terms of this model SHIs advertise all vacant dwellings in a special newspaper delivered from door to door. Prospective applicants apply only for specific units they are interested in or suit their specific needs.

The creation of viable communities in social housing depends to a large extent on the allocation/selection policies and practises. The specific allocation or selection method will depend upon the capacity within SHIs to undertake complex and time-consuming procedures as well as the approach adopted by the country in question. The objective to create balanced communities will be much more demanding in terms of capacity than an approach which simply gives preference to all applicants with an income below a particular limit.

The purpose of maintenance is to maximise the life span of assets, in this case social housing units. It is important not to defer maintenance activities, as it will result in premature decay of social housing stock. The result of neglected maintenance is clear for all to see and often result in increased vandalism and tension between landlord and tenants. Tenancy/lease agreements usually set out the maintenance responsibilities of each party. Tenants are usually responsible for small or minor repairs with the landlord assuming responsibility for unplanned maintenance in response to complaints lodged by the tenants and planned maintenance that is cyclical in nature. In South Africa the relations between landlords and tenants are regulated by the Rental Housing Act, 1999 (Act 50 of 1999). The size and configuration of the specific SHI's portfolio will determine whether or not it is feasible to have an in-house maintenance department. Smaller SHIs are usually not able to afford in-house maintenance departments and as a result they outsource this function to specialist maintenance firms.

Rent collection is central to ensuring the financial viability of SHIs since it more often than not represent their sole source of income. Effective arrears control is vital to

prevent SHIs with long-term loans from falling behind with their mortgage payments. The implementation of an effective arrears control policy depends on having access to accurate and up to date information on any arrears that occur. SHIs in general try to keep rent arrears and voids (vacant units) down to between four and five percent of the expected rental income. It is important for each SHI to develop a rent collection policy that works well for them. SHIs should also be willing to adapt/change their rent collection strategies if their arrears increase. Rent collection statistics can be seen as a measurement/barometer of the health of the SHI. If it is not up to standard it is a sure indication of some underlying problem that needs to be identified and addressed quickly and efficiently.

The importance of tenant participation in the last few years have increased dramatically since the benefits of tenant participation e.g. its capacity to improve tenant/resident satisfaction became apparent. Tenant participation can be enhanced by initiatives to provide tenants with clear information regarding their rights and duties and through the creation of a legitimate system through which they can influence SHI policy and practises. There are three models/approaches to tenant participation, the co-operation model/approach, the negotiation model/approach and the self-management model/approach. In terms of the co-operation model tenant representatives do not have formal decision-making powers. The representatives are either in the minority in decision-making bodies or else proposals made by them must be formally ratified by other management structures/bodies. The motivation for tenant participation in terms of the co-operation model is thus the desire to create harmony between the interests of the tenant and the SHI. The negotiation model in turn is based upon an assumption of tension between the existing tenants and management structures. The said assumption implies that both sides will build up their respective organisations in anticipation of meeting each other around the negotiation table to sort out an agreement acceptable to all. Lastly, in terms of the self-management model or approach tenants have autonomous decision-making powers on either all management issues or only in regards of specific issues delegated to them.

Different countries have as a result of their unique political and socio-economic circumstances adopted different models. Although the Rental Housing Act, 1999 (Act 50 of 1999) in South Africa has as one of its aims to provide for the facilitation of sound relations between tenants and landlords through the laying down of general requirements relating to leases, no particular reference to tenant participation/consultation could be found in the Act. It is, however, a well-known fact that tenants in general are encouraged to assume greater control of their housing environments.

Irrespective of the particular model, or variance thereof adopted, tenant participation can either be direct or representative in nature. Small SHIs tend to favour direct participation whilst the large SHIs prefer representative participation through management or supervisory boards.

It is furthermore vital to create the right conditions/environment for tenant participation and/or consultation to develop and flourish. This can *inter alia* be achieved through information sharing, the promotion of the establishment of tenant participation committees/tenant associations and allowing tenants to contribute their experiences and expertise. It is, however, important to realise that universal participation is an unrealistic goal. Opportunities for tenants to participate, if they wish to do so, should always be present and well publicised. SHIs that respect the views of tenants and treat all people fairly will create goodwill that will result in financial dividends. In contrast, a paternalistic and/or authoritarian treatment of tenants will create unresponsive and apathetic tenants who add to the difficulty of managing such estates effectively and economically.

Housing management is literally where the buck stops with regards to social housing. All the good intentions in the world to assist those in need of housing within a supportive environment can fail if housing management is not done sensibly and transparently. A lot of benefit can be gained from treating residents or tenants as partners with a view to ease the task of management. Successful social housing

estates are created partly through design, but even more importantly through good management practises aimed at creating homes and not merely accommodation.