BUT IS IT AFFORDABLE? A CASE STUDY OF SOCIAL HOUSING IN ATLANTIS

Social housing only functions correctly under specific conditions, a study on a low-income housing scheme in Atlantis near Blaauwberg, Cape Town, has shown. In this case study, ***Catherine Ndinda et al*** explore the reasons why.

We understand social housing to mean a rental or co-operative housing option for people with a low income, managed by an institutional framework that ensures it is held as a public good for the benefit of the poor. For an institution to qualify for accreditation to provide social housing it must be a legal entity, accredited by the designated regulatory authority and established with the primary objective of developing and/or managing housing stock that has been funded through grant programmes. Low-income groups in the social housing policy are described as 'those whose household income is below R7 500 per month'. Social housing institutions must be financially viable, with a low rate of default, high repayment rates and good management practices.

Although social housing implementation in South Africa began in the late 1990s, guided by the 1994 housing policy and strategy, social housing policy and regulations have been developed over the years. The social housing regulations gazetted in 2012 are the result of the mistakes made and the lessons learnt over the years of implementation in South Africa. The regulations list three types of social housing institutions: corporate entities that conduct their business on a non-profit basis, municipal entities and housing co-operatives.

Social housing differs from housing built through the Reconstruction and Development Programme (RDP), which are subsidised dwellings built under the 1994 RDP housing policy.

Financing social housing

Since 1994, social housing has been financed by the former National Department of Housing, now the Department of Human Settlements (DHS), under the Housing Subsidy Scheme (HSS). The HSS makes provision for both non-credit-linked and credit-linked subsidies.

Individuals who earn below R1 500 per month qualify for non-credit-linked subsidies. If they earn more than that, they are required to make a contribution towards their housing.

The process is as follows: those who qualify for social housing are required to rent a unit first, and then apply for a loan to purchase their units. Households who earn from R1 501 to R3 500 are required to make a once-off payment of R2 479 as a contribution to access subsidised housing.

With this scheme there is a shift from a single-pronged financing approach to a multi-pronged approach that includes subsidy and debt financing, as well as public-private partnerships. Debt financing for social housing institutions is provided by the National Housing Finance Corporation (NHFC), a development finance institution established by the South African government to fund and facilitate the development of affordable housing. In this capacity the NHFC provides direct loans to social housing institutions to assist in the provision of rental housing.

In this case study, the NHFC provided a loan of R19.1 million to the Housing Association of Blaauwberg (HAB) in 2000 as part of the Housing Institutions Development Fund (HIDF) for the purpose of building units in Atlantis, Western Cape.

After numerous failed attempts to ensure that the HAB serviced its debt, the NHFC sued for the outstanding payments in 2010 and requested the high court to grant the sequestration order. The court granted the request and the units were handed over to a liquidator. Given that tenants were already living in the units, it became important to establish the affordability of these houses. The NHFC commissioned the HAB to do an audit survey to this effect.

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Affordability levels

The findings of the HSRC audit survey suggested that out of the planned 802 units, the HAB had only completed 676 units. The tenants were expected to rent for a period of four years and then take out a loan to purchase their unit.

Tenants responded positively to the survey, with 614 out of the 676 units participating. The profiles of the tenants were as follows: more than half of the tenants were married (54.9%); about 78.8% had secondary level education; and 46% were unemployed. Different rental amounts were charged for different unit types (Table 1 on page 19); up to 85% of residents across all unit types had defaulted on their rent payments.

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The reasons for defaulting included difficulty in making the repayments, fewer working hours, unemployment, illness, rent increases and unexpected utility bills. Tenants who could not pay incited others to stop their rent payments.

While 21.03% of the residents had a monthly household income of less than R1 000, the majority (58.57%) had a monthly household income of between R1 000 and R5 000. A small proportion (6.47%) had a monthly household income of between R5 000 and R10 000, and an even smaller proportion (0.48%) had a monthly household income of between R10 000 and R20 000.

Studies on housing affordability suggest that when housing costs exceed 30% of the household income it becomes unaffordable. This was the case with the majority of the HAB tenants, even though the rental amounts charged by the HAB were below market rates. In addition, the tenants had been on a rent boycott for some years and refused to resume rent payments.

Table 1: Rentals charged by unit type

Unit Type	Area (M^2)	Rent charged # (R/Month)	Rent charged* (R/Month)
Low spec	30	210	280
Semi-detached	30	450	550
Detached	30	480	600
Semi-detached	40	630	700
Detached	40	650	750
Semi-detached	54	740	800
Detached	54	750	870

Source: Ndinda, C; Mustapha, N; Davids, Y.D. 2013. Audit Survey of the Housing Association of Blaauwberg. Pretoria: Human Science Research Council

*#Stands occupied before 2002 *Stands occupied after 2002*

Given the complexities around the HAB, the need to repay the loan, the rent boycott, liquidation and refusal to vacate the units, the solution to this particular problem requires intense stakeholder involvement and trade-offs have to be made. The only way the majority of tenants can afford the units is if they have a steady stream of income, which is exacerbated by the fact that in the nearby industrial area of Atlantis, factories have been shutting down.

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From this case study it is clear that social housing can only work under conditions of high levels of employment and steady income, but the rent-to-buy option is not feasible in areas where unemployment is high and employment options are few. Providing social housing in areas where subsidised (RDP) housing is also provided to beneficiaries of non credit-linked subsidies remains problematic. Although consumer education might be provided to explain the responsibilities of social housing tenants, when unable to pay tenants will always allude to the fact that beneficiaries of other housing subsidy options do not pay rent. This was among the reasons for the rent boycott in Atlantis extension 12. ■

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