

Reaching the deep down market: affordable rental housing for low income households in Johannesburg's inner-city

BY

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A thesis submitted in partial fulfillment of the requirements for a Master Degree in Spatial Planning.



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May 2019

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Acknowledgements

I would like to thank my former supervisor Keyang Li and DrArySamsura for helping and guiding me on this research project, your support and help throughout this journey has been amazing.

I would like to extend my thanks to all my interview participants for thier time and flexibility, especially because many of them had the interview over Skype, with plenty of connection malfunctions. Your insights and contributions to this project have been instrumental in establishing my own discernments and understandings for this research project.

To my mom, who is the most amazing person I know, thank you for teaching me to never give up and to always do my best. Your support and love has and will always keep me going. You are the best there is. Also thank you so much to the rest of my family and friends, for their much needed continuous support.

Abstract

The shortage of housing and lack of delivery have been become a frequent discussion across the globe. Johannesburg inner-city is experiencing a shortage of safe and adequate housing for low income households. Though government has tried to reduce direct provision of low income housing, it has assisted a number of social housing institutions to deliver cheap rental housing in the inner-city. However, due to the high demand for safe housing, social housing is fully oversubscribed and many people are live in unsafe shelters characterized by slum conditions. The private sector involved in affordable housing caters to the middle to higher income earners in search of profit. However, there is reluctance to get involved in low income housing. With this uneven development, there is a need to promote and motivate the private sector to deliver housing for the deep down market. Encouraged and motivated, the private sector could play a big role in delivering housing for low income households. Thus it is important to explore what could encourage more participation from the private sector to provide for the deep down market.

Qualitative in-depth interviews and quantitative surveys were utilized for the collection of empirical research period of this study. The interview segment took place in two areas, a few were collected during field work in Johannesburg and others due to lack of time, were collected via online. The survey segment of this research was sent to participants via email. In total, there were....participants in this study, which included formal private sector developers, informal private sector landlords, social housing institutions, urban planners and architects, and research academics. The analysis of empirical data was done using content analysis.

This research found that there were a number of barriers that discouraged the private sector from..... This research study seek to find strategies and interventions that could motivate the private sector into delivering more affordable housing for the low income households in the inner-city of Johannesburg, South Africa. This thesis will add value to the housing delivery industry by shining some light on what could help attract more private sector participation in low income housing and what is currently discouraging and hindering that participation. This thesis will add to the discussion of moving away from solely looking at the government as the only provide of low income housing, to finding alternative way to stimulate the private sector to be get involved.

Keywords: Affordable housing, affordable rental housing, low income, social housing, private sector participation, slum buildings/bad buildings, deep-down market, income bands, housing policy, affordability, demand, supply.

Currency Exchange to the South African Rand (ZAR)

The South African currency is known as the Rand (R). Below is the comparison of the Rand (R) against the American Dollar and the Euro.

December 2018

1 Euro = R16.00

1 USD = R13.80

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Chapter 1

Introduction

"Everyone has the right to a standard of living adequate for the health and well-being of himself and of his family, including food, clothing, housing and medical care and necessary social services, and the right to security in the event of unemployment, sickness, disability, widowhood, old age or other lacks of livelihood in circumstances beyond his control. " (UN General Assembly, 1948).

1.1 Background

Johannesburg is one of the big economic engines cities of South Africa. Known as the city of gold, due to the gold discovery in the area of Witwatersrand in 1886(GTA, 2018) it is one of South Africa's metropolis. Inward migration to the city for economic opportunities dates back to its gold discovery, and the trend continues till this day. Migrants across the country and beyond borders flock in, in search of a better life and opportunities. According to 2011 census statistics, Gauteng Province where Johannesburg is located, is the number one migration destination in South Africa at 41,7%, followed by the Western Cape at 14,8%(StatsSA, 2016). Due to the high volumes in population growth, finding safe and adequate accommodation continues to be a huge challenge. The city is suffering from a shortage of cheap affordable housing options for its low income population. Johannesburg and surrounding areas have around 190 slum areas (HDA, 2012), poverty, crime and the high cost of housing have become a stumbling block for the future success of the people in the city. The inner city is undergoing a regeneration, new housing is being built but most of it deprives the urban poor of safe affordable rental housing as they cannot afford it. Hence, in good located inner-city areas safe and adequate affordable housing cheap in enough for low income households is in short supply, and what is available is beyond their reach.

Source: Picture by Alon Skuy (2018)



Most of the new housing units built and renovated cater to mostly middle and high income earners, while cheap and adequate rental housing from social housing institutions and some government housing are oversubscribed. Many people who cannot afford or find a place to stay end up living in the bad slum buildings of the city. These buildings have deteriorated beyond safe living standards, and are pretty much known as slum buildings, which are slums but in vertical form. According to the MSF (2011.p1) these buildings were largely abandoned in the post-Apartheid era by white business owners and then were occupied by mostly poor black people who then lived communally to save cost and rent (ibid, p.1). For many years now, the majority of these buildings have been taken over and controlled by criminal slumlords only interested in making a profit from tenants with little or no upkeep of the buildings. Basic service such as electricity, water and sanitation services are almost nonexistent (ibid, p.1). As of 30 December 2017, the number of hijacked building has been reported to have increased to about 265 (Politicsweb, 2018).

Nevertheless, population growth and uncontrolled migration patterns have compounded the problem of finding adequate housing in the inner-city. The housing backlog of the city is high and growing, consequently many people take refuge in these slum buildings with hazardous conditions. According to Tunstall (2013), poverty and low incomes averts people from potentially accessing housing options and make others unsustainable. When people do not have money and the only options available are expensive, they are very limited in the housing choices they can make. In South Africa, the government has the directive and responsibility to provide housing to the indigent and low income households; however it has struggled to fulfill this mandate (The Fuller Center, 2014). All levels of government are supposed to play an important role in the decree of housing provision, the housing industry and delivery systems. However, even though all levels of government are involved in housing, they continue to struggle to deliver enough housing every year to make a deficit in the backlog. Further, it has yet to find ways to encourage and motivate the private sector to be involved in supplying affordable housing to low income households.

For the purpose of this study, low income will be defined as households earning on the lower end R1,501 - R 3500 (\$115-\$255), with very-low income being R0-1500 (\$0-\$115) and low-middle income being R3, 501 – R 7, 500 (\$255 - \$561) (SAPOA, 2018) on the higher end. South Africa has the policy and legislative regime that covers the norms standards and regulations related to servicing the housing market, however its lack of delivery and provision of housing associated with inadequate quality, lack of resources and ever increasing backlogs have resulted in frustration and anger (The Fuller Center, 2014). The national, provincial and municipal policies and legislations play a critical role in the directives and regulations of the country's housing market. National and provincial government assistance and funding is crucial, however since housing matter have been decentralized to the local governments and municipality, it is also important that these entities attract and include the private sector to participate in the delivery of affordable rental housing for low income households. The development of the housing market for low income households is necessary for the improvement of people's lives and society in general. Karamujic, states that the well-being of individuals and families is affected when the need for satisfactory housing is not met (Karamujic, 2015. p8). PADCO (2006) adds that housing is an important element of economic, social, and community development, with many housing-related undertakings contributing directly to achieving

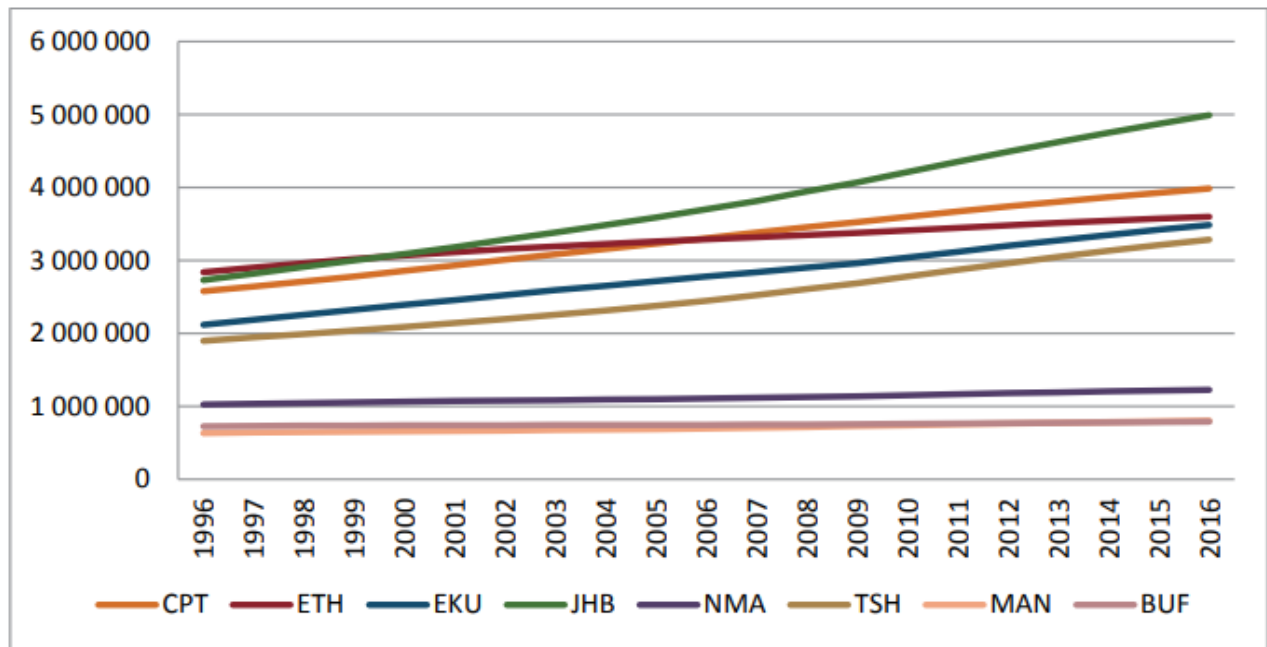
broader socioeconomic development goals. King and her colleagues believe that good housing is fundamental to physical, financial security, economic productivity, healthy communities, and human well-being (King et al, 2017). Hence bringing about safe affordable rental housing could prove very beneficial for health, job prospects, lifestyle, crime in general.

Since the end of apartheid in South Africa, the government has introduced a number of housing policies and legislations aimed at achieving a housing deficit thus getting rid of the housing backlog. The number of policies and legislations indicate the awareness of the government of the housing problems, thus making an effort to find solutions. Nonetheless, government alone has proven inadequate to increase the delivery of safe and adequate housing for low income households. There is an urgent need to find solutions outside of government and thus encourage the private sector to dig deeper and get more involved reason being that it has the capacity and efficiency to deliver at big scale using the most costly effective ways possible. However, due to the opportunistic and profit driven nature of the private sector, often its involvement in low income housing has been met by skepticism and mistrusts.

Nevertheless, solutions and strategies to ease the problem of housing need to be found as the right to housing is entrenched in a number of international instruments including the United Nations Human Rights Declaration of 1948 to indicate its significance. South Africa's housing right is states that "the right to adequate housing is an important basic human right which is recognized in the Constitution of the country" (South African Human Rights Commission Factsheet). Rapid urbanization and population growth in many cities has resulted in millions of homeless people living in the streets and many more living in slum areas in cities around the world, from Mumbai, India to the favelas in Sao Paulo, Brazil, and informal settlements of Johannesburg, South Africa and beyond. Yet this problem is still getting worse.

UN-Habitat states that Sub-Saharan Africa has the highest slum development rate at 4.53% per year and also the highest proportion of slum dwellers at almost 62% in 2010 (UN- habitat, 2011). With current predictions of constant migration into urban areas, the problem of shortage of housing will continue to rise, leading to more social problems and unrest especially in developing countries. According to Global Insight (2013) as shown in figure 1 below, the City of Johannesburg (CoJ) is the number one most populated city in South Africa, and this can be ascribed to the city's role as the economic engine of the country, and the influx of people in search of greater economic opportunities

Figure 1: Total Number of the Population by Metro



Source: Global Insight Data, (2013) cited in City of Johannesburg Economic Review, (2013)

Rental housing has held played an important role in South Africa's housing systems especially in big cities. According to Gilbert et al (1997; Gardner, 2003), a significant portion of the black urban population in South Africa rent accommodation. Tissington (2013) agrees stating that more than 25% of South Africa's households rent their accommodation and that number is increasing every year. Gilbert et al (1997), mentions that rental housing is perhaps the second most efficient housing market in South Africa. Gauteng Province has the highest number of renters in the country at 37% and that an estimated 40% of households rent and/or live in slum conditions (Tissington, 2013).

This research seeks to contribute to the debate of solving housing problem in the inner-city of Johannesburg. It makes an argument for the involvement of the private sector. It seeks to find out what strategies and mechanisms could encourage and motivate the private sector to get more involved in the providing affordable rental housing for low income households at the level they can afford. It seeks to find out what could be done to make affordable rental housing more affordable so that it can reach the very deep-down market. It seeks to find out if it is possible for the city to find and implement a housing programme for the poor that involved private sector participation. This study makes a case that with the right incentives, private sector participation and delivery of affordable rental housing could be increased.

1.2 The problem

The City of Johannesburg has shown that it is struggling to provide accommodation for is low income population alone. As a result, more than 30% of the Johannesburg's inner city residents live in vertical slum buildings due to the lack of cheap housing in the inner-city. The housing backlog is over 300

000 units, meaning that there is a huge need for housing delivery. Social housing institutes(SHI) have greatly assisted in alleviating this housing stress, however they are oversubscribed, government housing is over capacitated as well, hence more action is needed if the housing problem is to be solved. There is very limited private sector participation in the provision of low income rental housing in Johannesburg.

1.3 Research Objectives

- To identify the existing challenges facing private developers, big and small in the provision of low income housing in the Johannesburg inner-city and what resources and actions are needed in order to solve these challenges
- To examine whether there are initiatives that can be employed at a local level, that would greatly assist housing providers to produce more housing.
- To examine potential solutions and effective partnerships that could help facilitate easier models of housing delivery.

1.4 Research Questions

The primary investigation and research question for the study is:

- *How can private developers be motivated and encouraged to provide and deliver affordable rental housing for low-income households (deep down market) at the income level that they can afford?*

1.4.1 Sub-questions

- Who are the local housing providers?
- What are the main barriers encountered in the provision of affordable housing in the city of Johannesburg?
- What possible strategies and opportunities exist for private sector participation in low income affordable housing?
- What collaborative partnerships can stimulate the rapid delivery of cheaper *affordable housing*?

1.5 Research Assumption

- This research assumes that the right to adequate housing, it should be possible for low income households to access housing in inner city areas.
- With the knowledge, skill set and expertise possessed by the private sector in housing delivery, it should be able to provide affordable rental housing for low income households.

1.6 Societal and Scientific Relevance

Currently, South Africa is experiencing a level of high inflation, unemployment and poverty that is unprecedented. Many low-income households do not have the capacity to buy or rent housing units within a range that they can afford, the rising living standards, idle incomes and increasing unemployment has not helped improve the situation. The societal relevance of this research is to explore and investigate potential strategies that can result in the delivery of housing for low income households in the city of Johannesburg. Lack of housing is a societal problem that has negative consequences for the city and people involved. According to Tshitereke (2008), a lack of safe and adequate housing not only negatively impacts development, it eventually results in security issues, a security threat from myriad social ills that arise from homelessness and poverty. Without adequate housing, households are exposed to the structural violence of poverty, its severity and associated complexities of despair and deprivation which constitute a threat to security and people's physical and mental health (ibid). Housing shortages in the global south are a big problem especially in urban areas and solutions need to be found for the betterment of the people. Governments alone have proven inadequate to provide public housing for all, due to lack of resources and finance. Lack of housing in urban areas affects and marginalizes low-income groups and solutions need to be found. Conducting this research could offer some ideas of how the City of Johannesburg can entice more private sector participation in delivery more housing for low income households.

Government

This study could be useful to government and municipal office in identifying where they fall short in terms of attracting maximum participation from the private sector in low income housing. It might help identify useful strategies that government and municipal offices could utilize to further advance their low income housing sector, strategies they may not have regarded as essential or important.

Private Sector

The results of this study could draw attention to key areas where property developers need restructuring, change or incentives in order to join the low-income market. They could use this information to influence policy and change since it is apparent that formal housing agencies in both the public and the private sector are not delivering enough housing and are not providing housing that is cheap enough to cater for the very low income group living in the inner-city of Johannesburg. This research could be used as a platform for the private sector to voice out what they think is needed in order to attract more involvement.

City Planners

The result of this research could also be useful to the urban planners in the City of Johannesburg, researchers and scholars, policy makers, private and general people. It could assist the stakeholders involved in the housing industry on identifying the current opportunities that exist in bringing about more housing. What are the potential strategies that haven't been utilised to find the best possible alternatives to solving the shortage of low income housing and increase low income housing provision. It will help give a platform to stakeholders, social housing institutions and city planners to express their difficulties and concerns about the issue of housing the urban poor and their ideas for

solving these problems. It will also perhaps voice urban planners frustration about their work and how they think can influence policy situation in a positive matter. The result of this study could potentially act as a guide to developing low income affordable housing for the low income households in Johannesburg.

Academics

Lastly, this research will also contribute to the already existing body of knowledge about the provision of low income housing for very low income households. It will contribute to discovering areas of successful, efficient and inclusive involvement of different housing stakeholders to employ much needed transformation and restructuring to improve access and delivery of adequate housing for low-income households. It will act as a voice for research academic and their opinions and knowledge on how the low income housing supply problem can be alleviated. This research will play an important role in filling the existing literature gap in the area of low income housing provision and the involvement of the private sector, as this combination is rare and is in most cases regarded as impossible. Finally it will also identify some shortcomings that can be presented for future research in the low income housing sector.

1.7 Research Methodology

This research study is qualitative in nature; and the data collected for the research is mostly interviews and online questionnaires. According to Hennink and colleagues, qualitative research is an approach that allows you to examine people's experiences in detail, by using specific set of research methods such as in-depth interviews, focus group discussions, observation, content analysis, visual methods and life histories or biographies (Hennink, 2011.p8). It allows you to identify issues from the perspective of your study participants and understand the meaning and interpretation they give to behaviours, events or objects (Hennink, 2011.p8). Conducting qualitative research also gives a lot of insight into the gestures and live reactions of how participants feel and talk about the study in question. In qualitative research, the goal is to explore an in-depth phenomenon and thus offer recommendations to the issue. The topic for this research is how to can the private sector be motivated to deliver low income housing to low income households, using qualitative research methods will help understand the dynamics and problems involved in the provision of affordable housing, why there is so much reluctance and what steps could be taken to entice and attract further participation, consequently resulting in more low income housing delivery.

Furthermore, a case study approach was selected as the best way of conducting this research. According to Crowe and colleagues (2011), a case study approach allows in-depth, multi-faceted explorations of complex issues in their real-life settings. The case study approach is particularly useful to employ when there is a need to obtain an in-depth appreciation of an issue, event or phenomenon of interest, in its natural real-life context (Crowe et al, 2011. p1). According to Yin, case studies can be used to *explain, describe* or *explore* events or phenomena in the everyday contexts in which they occur (Yin, 2009). A case study approach does well to capturing information on more explanatory 'how', 'what' and 'why' questions, and can offer additional insights into *what* gaps exist in its delivery or *why* one implementation strategy might be chosen over another context (Crowe et al, 2011. p1). This thesis project focused on the broad context of the inner-city of Johannesburg as a case study instead of focusing on one company within the private sector.

1.7.1. Data Collection

To facilitate thorough understanding of the case, the case study approach involved the collection of various sources of data, using a variety of techniques. For the primary data, the qualitative techniques of using a questionnaire for interviews will be utilised. And for secondary data, a variety of literature found on line and at the Radboud University library book collection will be used, this includes the following: book, journal publications, articles and newspapers. Burns and Grove stipulate that data collection is the precise, systematic gathering of information relevant to the research problem, using different methods like interviews, participant observation, focus group discussions, narratives and case histories (Burns and Grove, 2003.p373). For validating one's research, data triangulation is also advised as a way of increasing the internal validity of a study (Stake, 1995). For the study purpose both primary and secondary data are used.

1.7.2. Sources of Data

In order to achieve the objectives of this research study, both primary and secondary data were used. Primary data are information collected by the actual researcher specifically for the research problem at hand, using procedures that fit the research problem best, new data is then added to the existing body of social knowledge (Hox and Boeije, 2005.p523-594). Secondary data consists of information or data collected by other researchers, this is existing data relevant to the research problem at hand (Hox and Boeije, 2005.p523-594). Secondary data will be used toward the formation of background information and literature review, needed by both the researcher in order to build constructively the project and the reader to comprehend more thoroughly the survey outcome. Primary data was collected in two ways, interviews and questionnaires. According to Kvale, interviews are more powerful in eliciting narrative data that allows researchers to investigate people's views in greater depth than questionnaires (Kvale, 1996; 2003). Cohen and colleagues believe that interviewing is a valuable method for exploring the construction and negotiation of meanings in a natural setting (Cohen et al, 2007: 29)

1.7.3. Tools of Data Collection

The primary data gathered in this thesis research was collected through conversational interviews and open ended questions. The researcher also utilized a questionnaire for data collection and an online survey for more information.

1.7.4. Data Analysis

Qualitative data analysis can be explained as the process of making sense of the data obtained from research participants' views and opinions of situations, corresponding patterns, themes, categories and regular similarities" (Cohen et al., 2007:461). According to him, qualitative data analysis entails organizing, accounting for and explaining the data. Creswell states that once data is collected, the next steps are transcribing interviews, scanning material, tying up field notes and arranging the into different types, after that the next step would be to provide a general sense of the information and take the chance to reflect on its overall meaning, further stating that the analysis process should also be reflexive, including the researcher's interactional experience with interviews (Creswell, 2009). And that this should be followed by the organization of data into its categories (Creswell, 2014.p197).

Gibbs mentions that qualitative data analysis is a process of transformation of collected qualitative data, done by means of analytic procedures, into a clear, understandable, insightful, trustworthy and even original analysis(Gibbs, 2007:vol. 6: 1).

The empirical data in this study was analyzed through summarizing of information from the interviews and questionnaire. Interviews were transcribed; analyzed and then arranged into themes. Those themes were then narrowed down according to their applicability to the research. At this stage they were aligned using the research question and sub-questions. After that, they were summarized by focusing on answers that were directly relevant to the questions. The information was then reduced from big portion of information into summaries that are relevant to the questions of this thesis.

1.8 Limitations of this research

The study is limited to the city of Johannesburg as reflected by the research question. The second limitation was with time and location. This was primarily because the research had to travel to another country to gather data and the time set for empirical research collection was 3 weeks which proved insufficient to collect all the data needed for this study. Even though email requests for interviews were sent prior to leaving the Netherlands, responses to those emails were far and in between. Hence in the end it proved impossible to get a plethora of interviews from experts in the property development industry and government office in such short time. Some participant though initially agreed to participate in the study, eventually faded and stopped replying, some had scheduling conflicts and others just took longer to reply to their emails, which meant that some of the interviews had to be done online because there was not enough time. Also some participants were reluctant to take in the interview process because, they felt that the research is not relevant to their company, and since they were not involved or interested in providing housing in the inner-city of Johannesburg.

1.9 Structure of the Research Report

The structure of this report is as follows:

Chapter 1 gives an introduction and background to the research, followed by the problem statement, research objectives, research question, societal and scientific relevance. These followed by a brief introduction to the research methodology, data collection, sources of data, tools of data collection, data analysis and limitations.

Chapter 2 provides a detailed literature review on the concept of property development, affordable rental housing, affordability, challenges hindering the production of affordable housing units and potential strategies that have been used to try and unlock the production of houses by private sector.

Chapter 3 provides housing theories that better inform housing studies and the issues discussed in this study.

Chapter 4 provided a background of the case study area and gives details about the research methodology of this study. Further it discusses the overall processes that the study engaged in, tools

and strategies that were applied in gathering literature, conducting interviews and data analysis, that were followed by the interpretation of all collected data.

Chapter 5 provides details on findings and results found in the study

Chapter 6 provides the discussion and summary of findings.

Chapter 7 provides the conclusions and recommendations for future research.



Source: Old Building in the inner city by The Heritage Register (2012).

Chapter 2

Literature and Theoretical framework

The private sector can play a significant role in the provision of affordable rental housing, as they have the skills and capacity to do so in an efficient and effective manner. The local government has proven that it provide for every single citizen. If these entities had a better working partnership, it could prove very beneficial to the housing sector. This chapter provides a synopsis of the literature review on affordable housing in South Africa. The literature review will touch on the concept of property development, affordable housing, stakeholders and affordability. It also gives a background the challenges that face the private sector from getting involved in rental housing, and puts forward different incentives that have been implemented in different countries to improve the state of affordable housing.

2.1. Property Developments

A lot of literature has been written about property development (Wilkinson and Reed, 2008; Buttimer at al, 2006; Preller et al, 2010). According to Wilkinson and Reed (2008; Gibbs, 2007:vol. 6: 1)), property development is any other industrial production process that involves the combination of various inputs in order to achieve an output or product, in which that product is a change of land use and/or a new or altered building in a process that combines land, labour, materials and finance. Buttimer and colleagues (2006) explains that the real estate development industry can often be described as a multiphase process involving land (horizontal) development, followed by residential and/or commercial development, ending with the eventual marketing phase of the development through the sale or leasing of the completed site. According to Costello and Preller (2010) developing property involves risk and it is characterized by some significant cyclical influences.

Further. it is in the interests of capital markets, market participants and the public sector that property development processes are better understood so as to ensure efficient allocation of physical resources, human resources and capital (ibid). It is very important that stakeholders interested in property development are well endowed in the knowledge and expertise of how it works, who is involved and what are the market conditions for a better chance at being successful in it. According Fisher et al (2005), the results of property development depends on social, political, economic and environmental factors, which are then affected by them. This is because the results of property development come from the involvement of a wide range of public and private actors, even though most development tends to focus on the role of the speculative developers (Fisher et al, 2005). Even though direct financial profit is the driver of the development process (Cadman & Topping, 1995, p. 12) property development is characterized by regulatory systems and laws with which it has to abide.

According to Buttimer at al (2006) the risks intrinsic in property development can be seen in the return expectations of land developers. If the returns are less than what is expected, development projects are considered not worth the investment. However, in viable projects, sources of financing must be attracted by the promise of sharing the cash flow generated by development in a manner that properly balance risk and return (Altona, 2018.p9). One strategy that is used to manage a lot of risk

is through presales of upcoming projects, which reduces the developer's exposure to downturns in market demand for completed lots (Buttimer et al, 2006).

This is generally applicable to home ownership projects, where in so doing means sharing the risk of future demand volatility. Consequently, most development projects delivered by the private sector cater to middle and high income earners, because they can guaranteed affordability and profit returns, inevitably excluding low income households. From speculative developers, housing for low income households is hard to come by as it does not have the same promises and returns as those with high or middle income. According to Ferguson and Smets (2009), low income, moderate and lower-middle income households, whose work is mostly in the informal economy, have been excluded from gaining access to capital from formal private or public financial institutions with the exceptions exception of a few. Most low income households rely on individual and group savings, money from family members, loans from friends and extended family. Nevertheless, accessing housing from these funds has proven a difficult task and for these low income households government housing subsidies and assistance has been the only way to get adequate housing.

Households who cannot afford either rely on the informal housing sector which is usually self-made housing, located on illegal occupied land with no assistance from the government or financial institutions. This type of housing results in slum areas because they are not regulated and the housing is usually made up of cheap iron material, with no planning for transport, basic services such as water and electricity and sanitation involved. According to UN-Habitat, housing is considered as informal when it does not conform to regulatory frameworks and laws set up in the area of which it occurs (UN-Habitat, 2003a). Durst (2017), indicates that informal housing often involves non-compliance with existing property laws, land use regulations and building codes. Da Mata's (2013) agrees with this view, stating that informal housing is always associated with some sort of deprivation such as insecurity of land tenure, low standards of urban services, and even non-durable housing structure. Informal housing sector development can be attributed to the increasing population growth to the city, lack of public investment in housing, adoption of misguided and often western based urban planning policies (O'Hare, Abbott & Barke 1998).

South Africa, has the option of backyard shacks from small scale landlords for low rental. Backyarding is when landlords rent out their backyards to tenants, it can be formal and informal. Rooms at the back of the house are built either with normal brick material as an extension to the house, normally referred to as granny flats or tenants can build their own corrugated iron shack and only rent the space from the landlord. Even though by law, backyard shacks are not allowed, the municipal offices usually turn a blind eye to this as they realize that it assist in the provision of accommodation. According to Gibb (2009) the housing system is contextually produced, local institutions matter to the way it operates and these institutions evolve and change dynamically. And in many cases government systems meant to assist the poor to acquire well located urban housing may not work properly; regulatory systems create fragmented and uncoordinated consent mechanisms, which pose serious challenges to under resourced and under-capacitated municipalities, provincial departments and other institutions that drive these programs (Kihato and Berrisford, 2006).

2.2. Affordable Housing and Rental(AH) and its rationale

Governments and policy makers around the world have struggled to find solutions to providing adequate housing to low-income households. Ideally every human being in the world would like to own a house, however due to cost and affordability matters; many people are unable to, especially the urban poor who are usually reliant on low incomes and informal salaries. In this regard affordable rental housing is an important and crucial alternative to shelter. In general, affordable housing is made up of both affordable housing home ownership and rental housing, but for the purpose of this thesis; the focus will be on the rental sector, with considerable mentions of the affordable housing ownership sector. The majority of low income households can only afford rental housing anyways due lack of funds and access to mortgage finance. AH emerged in the 1990s as a more modern, less stigmatized way to describe housing for the poor, low-income housing, or subsidized housing (Ogunnaike et al, 2013). According to Milligan, 'affordable housing' describes housing that assists lower income households in obtaining and paying for appropriate housing without experiencing undue financial hardship (Milligan et al 2004, pi).

AH is traditionally defined as housing costs including rents, mortgages, property taxes and insurance, maintenance and basic utilities that cost less than 30% of household income or budgets (Litman, 2018,p10). Without AH, low income households are unable to enter the housing market because financially it is not feasible. Li indicates that AH has in recent years developed as a key concept of housing policy in a wide range of countries (Li, 2014). This can be attributed to its feature to recognize the need of households whose incomes are not sufficient enough to allow them to access appropriate housing in the market without assistance (Milligan et al 2004, pi). According to some researchers, when housing is unaffordable, overcrowded, and unhealthy, it is likely to have a negative influence on the financial, educational, and emotional well-being of individuals and their families (Bratt 2002; Dunn 2000; Rivkin 1994). Support for affordable housing helps low income households get ahead in life to improve their economic and social status (Curley 2005).

Berry (2003.p418) stipulates that a lack of affordable housing reinforces socioeconomic inequity by restricting the access of low-income households to employment opportunities, high quality education and services. Lack of AH in the right areas, results in lower-income households being forced to move away from the city, places of work and opportunity, which increases their daily commutes, and sometimes forcing others to leave their jobs (Young 2015; McMohan 2015a). Young (2015) notes that lack of housing in the affordable range can even lead to "shelter poverty" where people are using the bulk of their income on rent or transportation thus becoming unable to pay for other daily necessities. In extreme cases, lack of AH contributes to homelessness or living in places with bad and unsafe conditions. For many low income households living in Johannesburg, this is their reality. Berry (2006) argues that there is "a growing spatial mismatch between housing and job opportunities for low income workers" which creates inequitable conditions between workers and prevents the economy from functioning efficiently. Consequently, this tends to keep people in poverty as they end up spend most of their money in housing and transport with nothing left for food and living expenses. According to Gopalan, (2015), the provision of affordable housing is dependent on a number of sources of financing, which are government subsidies in the form of capital contributions towards the cost of

developing a house; credit products available to both the developer and end user's monetary contributions from households.

Many low income households rent their housing because they cannot afford to buy a house. Khan (2014), states that affordable rental housing though a partial solution to urban housing problems, is an important housing option, especially for the urban poor, and particularly in situations where people are not ready or able to buy or build houses of their own. Many cities around the world have dedicated a good portion of their housing stock to rental housing as they realise that there is a good number of households that will never be able to afford to own a house. Nevertheless, rental housing in many developing countries has not gotten much attention. Gopalan asserts that even though rental housing has proven beneficial to large number of the urban poor, governments in Africa have done little to support the improvement of rental housing which already exists or expand affordable rental housing(Khan, 2014). Gilbert et al (1997) agrees stating that rental housing is a vital component in accommodating large numbers of families in the major cities of most less developed countries. Rust (2018) also weighs in stating that while the rental housing market is poorly recognized in policies, it is an important component of the urban housing markets that is found in many inner-cities as it reduces housing costs of having to buy a house and worry about putting up a down payment. In South Africa, a significant portion of the black urban population in South Africa rent accommodation (Gilbert et al, 1997).

In different countries, the word 'affordable housing' has been used as an alternative to terms such as 'public', 'social' or 'low cost' housing (Gabriel et al 2005, p6). In the United Kingdom, affordable housing is defined by the local authorities depending on local income levels, house prices or rents for different household types including social rented and intermediate housing that is provided to specified eligible households whose needs are not met by the market (Okeleheim, 2013).

2.2.1 The Nature of Rental Housing

The nature of rental accommodation differs from country to country and city by city. In each country, different stakeholders provide rental housing, some come from the government and others are provided by the private sector. In some countries, rental housing is formalized and in some others, especially in the developing world, it is less formal. There are many types of rental housing that households can choose from depending on their income and preferences. In developing countries, Gilbert (2003), found a lot of diversity in rental housing both within cities and across countries. These included shared rooms, all the way up to self-contained units, table 3 below list the different housing found in Gilbert's study.

In rental housing, owner or landlords rent their space to people who cannot afford to buy their own house, for whatever reason or circumstance. Tenants agree to pay rent for using the said space. Landlords can be private or public entities; however private rental accommodation in most cases is always higher than rental housing provided by the government or local municipality.

Table 1: Rental Stock Continuum

<i>Variables</i>	<i>Range of Characteristics</i>			
Size	Shared room	Room with access to shared services	Self-contained small	Self-contained Large
Construction	None-lot only	Shack/ garage	Deteriorating central area tenement	High rise or detached
Ownership	Private	Social	Employer	public
Private Ownership	Small-scale lodging	One or two rental property ownership	Large scale individual	Large scale commercial
Income	Very poor	Poor	Middle income	High income
Rental Period	Hours	Monthly	Yearly	Permanent
Rent	Free	Cheap	Moderate	Expensive
Maintenance	Dangerous	Substantial problems	Minor problems	No problems
Landlord-tenant relationship	Familial	Informal	Semi-commercial	Commercial
Profitability	Loss-making or subsidized	Low	Medium	High
Legality	Illegal	Legal contract in illegal dwelling	No contract in a legal dwelling	Fully Legal

Source: Gilbert, (2003) Rental Housing: An Essential option for the urban poor in developing countries.

2.2.2 Housing Suppliers: Types of Landlords

According to a number of authors, there are many kinds of landlords; however they seem to fall under five different kinds of categories in the affordable rental sector. Khan, 2014 and Gilbert, 2004 characterize these landlords as follows;

Commercial Landlords

These landlords operate on a large scale and in a more professional capacity in the housing industry (Khan, 2014; Gilbert, 2004). They have more capital to invest and deliver on a big scale (Khan, 2014).

Usually, they will rent to middle or high-income households rather than low-income groups, using written rental contracts and following the building and safety standards. And most will use management agents (Gilbert, 2004; Khan, 2014).

Small-Scale Landlords

These landlords may have inherited some vacant land, or have spare rooms available because the household separated, relatives died or children moved elsewhere (Khan, 2014). Gilbert (2004) states that the majority of these landlords use whatever capital and space they have for rental purposes, often because they have no other way to make money. They may be formal or informal, poor or middle-income earners, they are quite diverse in that sense (ibid). The income from rental housing may help them to meet basic needs, to pay installments on their property, or cover the expense of repairs, maintenance or improvements, or future investment (Gilbert, 2004; Khan, 2014). Rental income may serve as a safety net against their unstable employment (ibid).

Public Sector Landlords

According to Gilbert (2004), these landlord are less common nowadays but still supply large numbers of housing units in many cities, particularly in China, India and transitioning economies. The landlords may be central government agencies or local governments (Gilbert, 2004; Khan, 2014).

Social Housing Landlords

These landlords are non-profit making organizations which provide housing but not entirely, for the poor (Gilbert, 2004). Social housing landlords are not looking to supply housing for the poorest of the poor. The institutions may range from charities and housing associations to educational bodies (ibid).

Employer Landlords

There landlords supply housing for their employees as an aid to recruitment, usually because local housing markets are too expensive and they will face recruitment problems unless they provide shelter for their staff (Gilbert, 2004; Khan, 2014).

2.2.3 Affordability and Access

Internationally, affordability refers to housing affordability which is taken as a measure of expenditure on housing to income of the household (Gopalan et al, 2015.p129). Litman (2018.p10), states that affordability refers to people's ability to purchase basic or essential goods and services such as healthcare, food and shelter. Affordability plays a huge role in AH as households need to determine if they can afford their housing or rental accommodation. Burke and Ralston (2004), adds that housing affordability accounts for the capacity of households to meet housing costs, while maintaining the ability to meet other basic costs of living. This way maintains a balance in the lifestyle of households. Housing affordability is a function of three things: household income, the price of the house and the terms of the finance (CAHF, 2018).

Additionally housing needs to be accessible. According to Sendi (2011), housing accessibility recognises that housing is not a market commodity, but a right that must be guaranteed for every

human being. Kadi (2014, p. 36) indicates that accessibility is the aptitude of a household to enter the housing market, regardless of certain market segments. The notion of housing accessibility applies to the entire population including all those groups that are, in various ways, often restricted in realising their right to adequate housing (Sendi, 2011). Unfortunately, the lack of affordability usually leads to a negative result of lack of access, as those who cannot afford to pay, cannot gain access to housing.

The CAHF (2017) attributes affordability to three things: the price of the house that is available for sale or rent; the household's income and the terms of the mortgage loan for which the household qualifies. El-hadj states that the housing affordability rule of thumb for lenders is that home prices should not exceed 2.5 times a household's annual income and taking this approach, a substantial number of African families cannot afford an entry-level home supplied by the market (El-hadj et al, 2018). Johannesburg's affordability ratio is 2.7, 4th highest of the nine municipalities in the area, meaning that in order to have enough money for a house or to rent would take more than twice the average income (CoJ, n.d). However, unemployment and poverty continue to worsen the problem. The economy is not growing enough to afford people well-paying jobs. As a result, safe affordable housing in the inner city is too expensive for the average person. According to ICHIP (2016.p13), due to the economy and the residential property market in the inner-city, as well as the expensive municipal service charges have resulted in striking cost escalations for the provision of housing, making housing even more unaffordable. Lack of affordability in the inner-city has resulted in landlords and tenants having motivations to overcrowd spaces in order to reduce the rental amounts per capita and the municipality turning a blind eye towards this practice (JDA, 2016).

2.3. The Local Context

2.3.1 Housing in South Africa and the demand for affordable rental housing

According to Gardner (2004), the main attention of the South Africa's housing market is focused on ownership and not really rental accommodation. Developers, contractors and institutions are responsible for the majority of formal housing development activity (ibid). Rust (2006) stipulates that South Africa's current housing sector, with its stalling delivery and deteriorating affordability, is trapped within a complex and nuanced interplay of demand and supply. Housing ownership is considered one the biggest investment households make in their lifetime, however this only apply to those who can afford a house. The demand and need for housing is more critical at the bottom half of the population spectrum. Rust (2006) recommends an insight into understanding who, across the income spectrum, wants what kind of housing, and who, given the low levels of affordability evident in South Africa, lacks even the most basic accommodation. Due to the lack of this information, the housing demand and rental sector in South Africa are not understood clearly.

According to Gilbert and Watson (1997), even though the public sector provided rental housing for most of the urban black and coloured population for many years, little had been recorded about the functioning of that sector and even less is known about private rental housing. Nowadays, efforts have been made, however municipalities have struggled to assemble and acquire enough information to

truly gauge and understand the rental sector in South Africa and who needs what accommodation and what can they afford.

Figure 2: Housing demand sub-markets in South Africa (from Gardner, 2004)

	INCOME (R/month)	SOUTH AFRICAN HOUSEHOLDS (% of All Households - LFS Sept 2004)	AFFORDABILITY (% inc & R/Mnth)	ELIGIBILITY (R Total)	CONTRIB. (R min)	SAVINGS (R Total)	AFFORD (R Total)	PRICE (R Total)
8	V HIGH			NO	NO		YES	
Max	>R 8001							
Min	R 7,500	10%	25% / +R1875/m		R 18,921		R 170,286	R 189,207
7	HIGH			NO	NO		YES	
Max	R 7,499		25% / to R1874.75/m		R 18,918		R 170,264	R 189,182
Min	R 5,500	4%	25% / to R1375/m		R 13,875		R 124,877	R 138,752
6	MID-HIGH			NO	NO		YES	
Max	R 5,499		25% / to R1374.75/m		R 13,873		R 124,854	R 138,727
Min	R 4,500	3%	25% / to R1125/m		R 10,669		R 96,025	R 106,694
5	MIDDLE			NO	NO		YES	
Max	R 4,499		25% / to R1124.75/m		R 10,667		R 96,003	R 106,670
Min	R 3,500	4%	25% / to R875/m		R 8,052		R 72,471	R 80,524
4	MODERATE			YES	NO		YES	
Max	R 3,499		25% / to R874.75/m	R 34,000	R 10,529		R 72,451	R 116,980
Min	R 2,500	6%	25% / to R625/m	R 34,000	R 8,231		R 51,765	R 93,996
3	LOW INCOME			YES	YES		YES	
Max	R 2,499		25% / to R624.75/m	R 34,000	R 2,479		R 17,603	R 54,082
Min	R 1,500	10%	25% / to R375/m	R 36,000	R 2,479		R 6,408	R 44,887
2	V. LOW INCOME			YES	YES		YES	
Max	R 1,499		25% / to R374.75/m	R 36,000	R 2,479		R 6,404	R 44,883
Min	R 1	25%	25% / to R0.25/m	R 36,000	R 2,479		R 4	R 38,483
1	NO WAGE INCOME			YES	NO		NO	
Max	R 500		0% / to R0/m	R 36,000	R 0		R 0	R 36,000
Min	R 0	38%	0% / to R0/m	R 36,000	R 0		R 0	R 36,000

Loan finance terms: Unsecured loans: term: 2 yrs; int: 35%; dep: 0%. Min: R0, max: R10,000 / Guaranteed finance: term: 5 yrs; int: 19%; dep: 10%. Min: R5,000, max: R60,000 / Mortgage term: 20 yrs; int: 12%; dep: 10%. Min: R20,000, max: none

Accordingly, the information available says very little about affordability levels and preferences with regard to housing type and location, and even less about the provision and character of informally supplied accommodation (Tissington, 2013). Most reports are an estimation derived from the 2001 census. According to a 2008 report, Inner City Johannesburg demand for accommodation is extremely high, particularly at the 'bottom end' of the income ladder. It is estimated that the demand for rental housing is around 317 000 units, with 81 000 units in the R1 500 to R3 500 income band (SERI, 2013 cited in ICHIP, 2016). For available rental housing, the cheapest unsubsidized rental accommodation option is around R850 (\$56,5) per month for a single room with cooking facilities and a bathroom, and this price excludes water and electricity (COHRE, 2008). In a case where the household is a family of 4, this amount would push the cost of renting up to around R1,000 (\$72) per month, making it only affordable to household with an income of around R3,200(\$227) per month (ibid).

2.3.2 The Rental Housing Sector

According to Shisaka (2006), the rental sector consists of two sub-sectors; the formal sub-sector which includes households renting a formal house or brick structure on a separate stand or yard, a flat in a block of flats and town, cluster, semi-detached houses. This sub-sector comprised 1,5 million households in 2005, making up 43% of the rental sector and 12% of the overall housing sector. The second sub sector includes households renting a formal house, flat or room in a backyard or an informal dwelling or shack in a backyard and it consisted of 1,1 million households in 2005, making

up 31% of the rental sector (Shisaka, 2006). Rust mentions that the majority of households in the worst housing conditions are households in mostly rental accommodation, squatting, backyard shack and sharing spaces rental, of which the majority is very poor households (Rust, 2006). Because rental housing sector is not well researched, the demand projection for rental accommodation is not definitive. In 2005, Shisaka estimated the demand to be around 3.5 million households (Rust, 2006).

According to the Trafalgar Inner City report for 2006 (cited in Rust, 2006), 10 percent of tenants have a household income of less than R1500 (\$106) per month; 40 percent noting their income between R1500 (\$106) and R3000 (\$212); and thirty-three percent said they earn between R3001 (\$212) and R5000 (\$355) per month. At the same time, average rentals for a one bedroomed flat are reaching R1800 (\$128) (Rust, 2006). According to Gardner (2004), after the introduction of breaking new ground, the rental sector in South Africa focused on mostly social housing, which resulted in extensive government subsidy, policy, institutional and facilitative support. Due to the increasingly recognised potential of the rental sector, lately there is a growing recognition of other rental housing types but not much has been put to practice outside of government programmes.

Government Rental Housing Options

One program that provides rental accommodation is the Community Residential Unit program (CRU). Through its subsidy programmes, It provides a once-off capital grant for the development, redevelopment, and upgrading of old housing stock owned by government, and supports the long-term maintenance of it that is being used for affordable rental housing (McCarthy, 2010.p5).

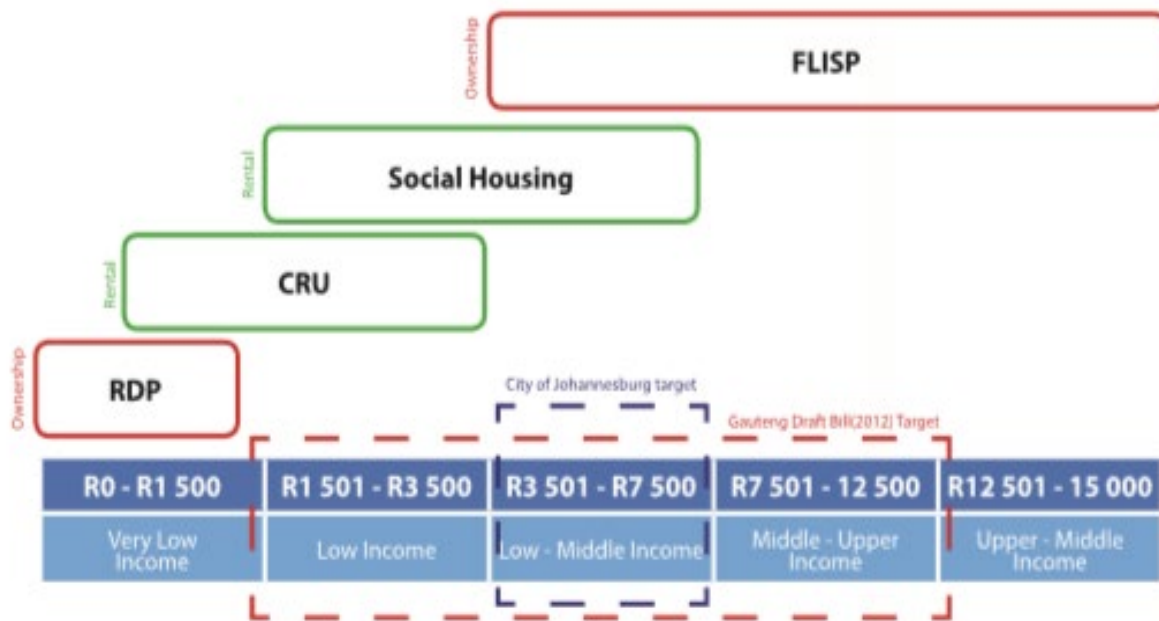
**Table 2: Affordability for housing payments
(rental charges on credit, adapted from Rust, 2006).**

Income	Affordability
R5, 000- 7,500 (\$355-\$532)	R1375pm - R1875pm (\$98-\$133)
R3, 001- R5, 500 (\$227- \$390)	33% / R1125pm -R1375pm(\$80-\$98)
R1, 500 -3000 (\$106-\$212)	40% / R375pm - R875pm(\$27-\$62)
R500 (\$35)	10% / R50pm (\$3,55)
R0	0% / R0pm

These include, public hostels, grey hostels, which are hostels that have both public and private ownership, public housing stock, distressed and abandoned inner city building and buildings that are owned by the city. Nevertheless, the CRU program has had its challenges. For example, the lack of comprehensive capital investment to ensure the viability of the projects; the need for municipalities to act as facilitator for the physical redevelopment as well as the prime agent of building human capital; success is intrinsically linked to local economic, social, transport and internal services development; the lack of any form of ongoing national rental subsidy programmes for indigent

tenants does not bode well for the future operational self-sufficiency of developments (Tissington, 2013.p105).

Figure 3: South African Housing Ladder based on Monthly Income. Gopal, N., 2018: INCLUSIONARY HOUSING; Towards a new vision in the City of Jo'burg and Cape Town Metropolitan Municipalities. SAPOA.



Another option for low income households to access safe and adequate housing is through social housing institutions (SHI). SHI have had the most success in terms of bringing about low income housing that is well run and managed. Nevertheless, it is also facing a lot of challenges, firstly they are oversubscribed as with the CRU programme. Tissington asserts that their primary constraint in assisting poor individuals and households access affordable rental housing is that SHIs have tended to look “up-market” (around R5, 500 – 15, 000 (\$390 - \$1065) in order to survive and very little has been done to increase the range of options available to those in the lower bands of the deep-down market (Tissington, 2013.p99). This means that even though SHI are there to cater for the low income, they have had to settle on finding tenants on the higher end of the income band to stay afloat and keep running, hence Gardner (2004) observed that affordability also appears to be declining among those households in search of affordable rental housing. The city of Johannesburg works with SHI, however these institutions mostly rely on donor funding to keep their business open. Figure 3 shows the housing programs in the inner-city and the income band they cater to them.

Additionally, the local government also provides transitional or emergency housing. However due to the many evictions that take place in the city, because of the regeneration taking place, most of these facilities are overstretched; currently the city cannot meet its temporary accommodation mandate, stating that there is inadequate supply (JDA, 2016.p12). The current supply of temporary

accommodation is very limited with all available building full of residents who have not transitioned into more permanent accommodation on the ladder (JDA, 2016.p57). And since the city is obligated to provide temporary housing in the case where an eviction may lead to homelessness, the city is forced to house these groups of people. Due to the high demand and limited vacancies, emergency housing currently ends up being permanent housing. Table 1 shows subsidised rental housing in South Africa and the qualifying income band of each programme.

Table 3: Types of Subsidised Rental Housing in South Africa.

Stakeholder	Product	Rentals / Month	Income Per Month	Tenure	Applicable Subsidy
Government	Social Housing	R700-R3,500 (\$48-\$248)	<R1, 500 -R 7,500 (\$106-\$532)	Rooms communal facilities/Self-contained with	Institutional Subsidy
	Communal Housing	R450-R800 (\$32-\$57)	<R3, 500(\$248)	Rooms communal facilities with	Institutional Subsidy
	Cummunity Residential/Family	R200-R800 (\$14-\$57)	<R800-R3, 500 (\$57-\$248)	Self-contained	Community Residential Unit
	Transtional Housing	R150- R450 (\$11-\$32)	R400 – R1, 250 (\$28-\$89)	Shared room or individual rooms	Institutional Subsidy

Source: Adapted from Tissington (2013), Minding the Gap by SERI(2013).

Table 2 shows the number of renting households in South Africa on a monthly basis. More than 35% of South Africa's population rents their accommodation (JDA, 2016) and for those who cannot afford, they opt for unsatisfactory housing. Informal rental of 'backyard' structures offer basic access to services and costing less than R100 (\$7)a month (Gardner, 2003). The Social Housing Foundation(SHF, 2008), stipulates that most households that pay rent are poor or low-income and about 55% have an income of less than R3,500 per month(\$255) while a further 22% earn between R3,500 and R7,500(\$540) (SHF, 2008). The high cost of housing coupled with low affordability levels, and the lack of access to capital and loan finance, severely restricts housing choices for low-income households to places on the periphery of urban areas (McCarthy, 2010.p5). According to McCarthy, the formal market-linked rental housing sector is often unaffordable to low-income households that are obliged to seek rental in the informal sector in backyard structures (McCarthy, 2010.p5) or slum building in the inner-city.

Table 4: The number of renting households in South Africa by Monthly.
Adapted from Tissington (2013).

Monthly income Band	Total number of hhs in South Africa	Number of hhs that rent (percentage of total number of hhs in income band)	Percentage of total number of hhs that rent
Less than R850 (\$57)	2 532 053	355 796 (14%)	15%
R850-R1 500 (\$57->106)	2 273 981	303 958 (13%)	13%
R1 500-R3 500 (->\$248)	3 436 947	662 609 (19%)	28%
R3 500-R7 500 (->\$532)	1 906 039	493 731 (26%)	21%
R7 500-R10 000 (->\$709)	537 583	182 068 (34%)	8%
R10 000 + (+\$709)	1 770 978	340 289 (19%)	15%
TOTAL	12 457 581	2 312 672 (19%)	100%

Tissington (2013) states that in the early 2000s, the City of Johannesburg started promoting inner city regeneration, in the hopes of enticing property investors back to the inner city and to develop middle- to upper-income residential accommodation; however, since then, thousands of people have been forcibly evicted from the bad buildings in the inner city. Evictions of people in the inner-city are still happening even though there is a lot of resistance from the occupants. The problem is that once these units are renovated or new buildings replace them, they become unaffordable for the previous occupants of those buildings. In addition, Tissington (2013) states that there is a growing demand for cheaper rental housing, however what the private sector is offering is beyond the reach of low income households, making the demand for rental accommodation a crisis.

2.4. The private and public sector

Affordable housing development in most developing countries, have largely replicated the processes of high income countries, where by both public policies and commercial organization cater and deliver housing only for those who can afford (Collier, 2014). According to Collier (2014) this has led to ordinary people being marginalized, with millions condemned to self-built structures in informal settlements. Government provided and managed housing projects lack the disciplines imposed by market processes, hence they have a very poor record. The informal housing sector has not proven successful either. Local governments have shown that the task of providing housing alone is insurmountable as they do not have the resources nor the capacity to delivery at scale, hence there is a strong need for the private sector to participate.

However, Witwer (2007) states that in most cases the private sector would already supply a range of housing options for all income levels, if market conditions alone were enough to provide affordable housing, It is simply very difficult for a developer to earn a satisfactory return on their investment for an affordable housing project (ibid). The most significant barrier to private sector provision of affordable housing is that it is not a profitable venture (Witwer, 2007). The private sector in the house

building industry is known for its profit driven nature, without any returns, it is mostly unlikely to get any involvement from them. Witwer (2007) indicates that the private sector relies on three fundamental business features: that the market is the basis for all decisions, the analysis of cost and risk are critical and are impacted by project timelines, as well as the ability of private builders and developers to leverage capital (Myerson, 2005; Myerson, 2007; Pomeroy, 2004a) and these points play a huge role in the decision making process of the private sector (Witwer, 2007).

Private developers take risk as an important factor in their decision making when embarking on a project, hence they base their decisions on an analysis of the risk involved (Myerson, 2005). If the project is too risky, developers think and plan for such an occurrence or decide against it. According to Witwer(2007), affordable housing projects have an even higher risk as the potential to receive a lower return on the investment is greater because sale and rent prices are generally fixed and cannot adjust to changing market conditions. However, when it comes to housing delivery, the private sector is known for its capabilities, its increased participation could further assist in increasing housing delivery for low income households. FRPO (2017) agrees that the private sector has the experience and the resources to deliver an effective, cost-efficient program that will reduce the government's burden of new expensive capital projects, and will reduce waiting lists for affordable housing, which will help to eliminate homelessness.

According to Newton (2018), the private sector is able to supply a range of housing products that people in the lower to middle income market are able to afford, either through rental or purchase. Getting the private sector involved in low income housing is very important to meet the growing rental housing shortage. Poschmann (2003) concurs, stating that the provision of more affordable housing units would result from more participation by the private sector as the development and homebuilding industry has the expertise and resources to build housing units at a scale which is not easily achievable by the public and non-profit sector. Most government following the World Bank have created enabling environments for private sector participation to achieve success in housing provision. According to Sivam (2002) the public sector's role should be to act as the catalyst enabling the private sectors to work better in the housing market.

2.5. The Private Sector and its unwillingness

Housing provision in South Africa has always evoked government interest and participation, especially with regard to the poor. However, due to rapid urbanization and migration patterns to cities, the shortage in supply is so high that it demands participation from all stakeholders including the private, NGO's, and communities alike. However, the formal private sector has always opted to deliver housing for the high end of the income ladder; due to lack of profit in the low income housing market and in recent years housing delivery has decreased. Small-scale landlords provide rental housing to low income housing as the private sector, even though they do not receive any incentives from the local municipalities. The following section will look at why the formal private sector has been so reluctant to get involved in affordable rental for low income households. What are the challenges that have been recognised as a barrier to participation.

2.5.1 Challenges to engaging the private sector in rental housing delivery

Although these challenges do not apply only to the South African housing market, many other countries, both in the developed and developing also suffer from some of these challenges.

Land Availability and Cost

Land is crucial to the delivery of housing, without it, it is impossible to build anything. In developing countries securing land for housing is one of the major problems. According to Landman and Napier (2010), the affordable housing sector faces a lot of challenges with regard to finding well-located and affordable land for the provision of housing, especially in fast growing urban areas. Napier sees this as a form of market failure as a matter of scarcity of an essential resource (ibid). A resource that could help change people's lives. Cheshire (2009.p3) states that these issues arise partly because of the locational specificity of any legally defined plot of land, and the fact that the value that can be generated from that land and the welfare or enjoyment associated with its occupation are strongly influenced by the uses and characteristics of neighboring plots of land. Consequently in well located areas, land is always very expensive.

Witwer (2007) indicates that affordable sites are increasingly difficult to secure as land costs increase. According to Marais (2015), non-provision of title deeds, sales restrictions and restrictive land-use regulations all limit asset growth and asset accumulation for poor households. The availability of land and the price of it play an important role in housing development. Local government and the state have been slow to provide serviced land in well situated areas, and this has also constrained housing supply (CAHF, 2010). According to Sahachaisaeree (2008), for much of the private sector, the high price of land and difficulty to recoup the investment put in is a major challenge. In South Africa, municipal land sale restrictions have also proven a barrier to the acquisition of land for affordable housing. According to the Municipal Finance Management Act(MFMA), No. 56 of 2003, a municipality may not transfer ownership as a result of a sale or other transaction or otherwise permanently dispose of a capital asset needed to provide the minimum level of basic municipal services.

Further, municipalities may dispose of an asset once it has considered the fair market value of the asset, and the economic and community value to be received in exchange for the asset and the transfer of ownership must be fair, equitable and competitive (MFMA, 2003). This means that the municipalities cannot give land away for free as immovable property and it cannot be sold at below the market rate. Even though the government is trying to protect state land, the MFMA acts does sometime act as somewhat of a barrier to making affordable housing land available as it disallows the City from giving land to developers for developing affordable housing.

Financing Land and other inputs

Financial institutions play an important role in realizing affordable housing projects because they are the primary source of financing for private developers. A study by the World Bank, states that formal housing affordability is restricted by challenges of realizing key supply inputs (World Bank, 2015.p8). These inputs are the cost that developers absorb in order to obtain and develop land for commercial and residential use. The costs of development include those relating to land, construction,

professional fees, financing, marketing, contingencies and the developer's profit (Cloete, 2005). Land costs includes the purchase price of the site and related transaction costs, such as transfer fees, legal fees, pro rata rates and taxes, bank valuation fees, bond registration fees, interim interest on the land and professional fees associated with surveying the site (Massyn, 2015). Talled up, all these cost raise the amount developers have to pay in order to realize a project. Additional costs associated with developing density buildings are influenced by factors such as the size of the floor plate, the overall proportion of usable space, the shape of the site or building and the level of the internal services required (Belniak et al, 2013 as cited in Massyn, 2015).

Consequently, to cover all these costs, most developers need to borrow money from private institutions and investors as they do not have the capital to independently finance such big projects. According to Witmer (2007) financial institutions see affordable housing projects as high risk and are reluctant to lend money to developers of there0 projects, however if they do provide funding, the interest rates are usually higher. To recoup on their investment, developers charge higher rents fees and house prices which consequently leads to unaffordability of housing especially for those with low income. Furthermore, most SSA countries also lack the institutions and capacities to capture land value in ways that can be used to finance these types of public infrastructure investments (World Bank, 2015).

High Risk and Low Profitability

As mentioned previously, rental housing is thought of as a high risk by for profit developers. Berry (2002) stipulates that rental investment produces important and multiple risks connected with revenue flows, financing costs, operation and management, and public policy changes. According to FRPO (2015) this is due to the fact that developers must leave their equity in projects over the long term, limiting their ability to revolve their capital into new projects and there is little cash flow because they cannot create revenues until the units are built and occupied. Financers also perceive greater risks, increasing borrowing costs, requiring that developers purchase mortgage insurance and delaying the financing process (ibid).

Short et al (2008) recognised two main risk in the private rental sector, first is 'financial risk' entailing risk to the client and to the agency, in terms of both adequate return and the potential cost of professional liability, and the second risk is in the context of statutory frameworks within which the industry must operate, and is usually expressed in terms of the importance of professional indemnity insurance or the importance of risk of liability an potential for litigation brought by either client or tenant against the property manager. Additionally, lack of profitability also plays a role in the private sector's decision making. According to Trojanek and Tojanek (2010) most investment decisions are stimulated by the pursuit of profit. When real estate projects are not profitable the private sector doesn't get involved, as they deem it not worthy (Witwer, 2007).

Land Use and the development process

Land, as one of the major production factors, is indispensable and its administration is crucial for adequate housing production. However, land is currently not well managed to facilitate housing production at a bigger scale due to lack of integration across land administration functions: land

tenure, land value, land use and land development (Agunbiade et al, 2011). El-hadj mentions that current land policies and administrative structures in Africa have been influenced by social, economic and political factors inherited during the colonial era. In many cities in Africa, the high cost of urban housing is usually a result of many things including inadequate land governance policies that encourage speculative acquisition; poor urban planning that generates urban sprawl and the lack of critical infrastructure that has significantly increased the cost of serviced land (El-hadj, 2018).

According to Helsby (2013), in South Africa, government's involvement in making land available for the affordable market is significantly inefficient. Rust (2006) states that securing land for development can take a long time. One found that the process took anything from 12-18 months to convert raw land into registrable stands, the process now takes between 30 and 59 months, almost five years which significantly delays the provision of housing and ultimately raises the cost of realizing project (Banking Association, 2005). The land administration functions and corresponding policies are supposed to interact effectively to facilitate delivery of developable land for housing production but operate much of the time on silo bases which manifest in varying degree of contradictory policy objectives (Egbu et al, 2007; Goodman et al, 2010).

Lack of clarity in National housing policy

Housing policies are meant to give direction in terms of how the development process should be for housing and who the parties involved are. According to Whitehead (2018) one reason housing policies are not effective is that they are unclear as to who is really in charge and what should be done. Milligan indicates that attempts to reform public housing over the last decade for example by introducing transparent subsidies and providing additional capital for asset renewal and new investment, have been inhibited by a lack of political support for a marginalised tenure, the complexity of negotiating change among diverse national, regional interests and the lack of clarity in the responsibility and accountability for housing between different sovereign levels of government (Milligan, 2003.p221). Local governments are in some ways restricted in what they can do, they are merely there to put the national policy in place and implement these strategies. According to Andrews et al (2011) badly-designed policies can aggravate house price instability and decrease labour market mobility.

Planning and Construction Standards

Gurran et al (2008.p22), stipulates that urban planning directly influences issues around housing supply, including the provision of housing in desirable metropolitan and regional locations and the efficiency of residential development processes, from site allocation, to proposal assessment, approval, and the provision of infrastructure. Planning controls and standard regulate the size of residential land parcels, the density of development, and the potential for different housing forms, if these controls are too restrictive they can exclude lower income groups or those with special needs from a particular local or regional housing market (Gurran, 2008). According to Glaeser and Ward (2008, cited in Litman, 2018), project planning and approvals add expenses, delay and uncertainty which increase total costs of developments. These can be particularly significant because they occur early during the development process and so have relatively high borrowing costs. According to El-hadj, many African countries have official standards and regulations that are unnecessarily costly and

outdated, including unrealistic minimum plot sizes and expensive forms of infrastructure that raises the cost of housing and land development (El-hadj, 2018).

Infrastructure development

Infrastructure plays important roles in the development of cities, improvement in the quality of lives and overall socio-economic development and growth of economies (Brown-Luthango, 2010). Provision of infrastructure must meet the community developmental, recreational, social and cultural needs of people in neighborhoods, however with ever-growing global population and urbanization, existing urban housing infrastructure is insufficient in addressing housing needs in many economies (Okoro, 2016). Across the Sub-Saharan African (SSA) region, recent data suggests that infrastructure coverage overall is actually declining due to rapid population growth in urban areas and inability of core utilities to maintain existing infrastructure stock and expand service coverage in new areas (World Bank, 2015). Much of existing infrastructure is outdated.

Inadequate provision of housing and supporting infrastructure affects production in the construction industry, as well as the economy at large because production of goods and services in other industries which is mainly driven by infrastructural elements in place (Okoro, 2016). Public infrastructure is not keeping pace with increased demand; there is a large backlog in the provision of schooling including day care, pre-school and primary and secondary schooling, in the provision of open space, parks and recreational opportunities, in the provision of primary healthcare facilities (ibid). In cases where governments do not provide services sites, the private sector has to contribute towards bulk infrastructure, and this ends being one the most expensive contributions of towards private sector projects.

Subsidies

According to the World Bank, government subsidy programs have done little to promote wide-scale housing affordability (World Bank, 2015). They are often poorly designed as with housing policies, and lack targeting and monitoring criteria, and thus end up being captured by wealthier individuals that could otherwise afford market-rate housing (ibid). Witmer (2007) states that even though government grants or subsidies are important in providing affordable housing when they are available, but they are seldom accessed by the private sector. In South Africa, the housing subsidy market is generally characterized by a “one-size-fits-all” approach, consisting of a monotonous layout of one unit per demarcated stand (SHSUP, 2012). Additionally, for the companies that apply for government subsidies, rarely is the maximum amount granted, which is usually insufficient to support private sector participation, hence they become less interested.

VAT Tax

According to Witwer (2007), the current tax environment acts a disincentive to private developers for new rental construction as developers are forced to increase the price of housing and rent for low income households to recoup some of the vat. According to Ahuri (2003) investors in the private rental market face high effective tax rates at low rates of capital gain. Witwer(2007) advises that a significant opportunity exists for the previously outlined tax amendments to encourage private

developers to invest in new rental construction, which would increase the overall supply of rental units.

Government inefficiency and Corruption

In many developing countries, inefficiencies in government and corruption are one of the biggest challenges across all sectors. According to Transparency International (2011 cited in Arjjumend, 2018), corruption in the land sector can be generally characterized as pervasive and without effective means of control. Corruption can vary from small-scale bribes and fraud, to high-level abuse of government power and political position; it does not favour the establishment of long-term national or local land strategies (Arjjumend, 2018). According to McKinsey Global Institute (MGI) (2017.p6), informality and corruption sometimes distort the market whereby at the industry level, construction is highly fragmented, contracts have misaligned incentives, and inexperienced owners and buyers find it hard to navigate an opaque marketplace. At the firm level, we often see poor project management, inadequate design processes, and a lack of investment in technology, R&D, and workforce skills. Palmer and colleagues agree and state that when corruption is present in the land sector, related actions and decisions are driven by distorted interests and policies that favour the few (Palmer et al, 2009 as cited in Arjjumend).

Urbanization

Due to the large numbers in rural to urban migration and across border, countries in the developing world are experiencing high numbers of population growth. According to Nallathiga (2010) it is one of the biggest challenges is providing affordable housing to these city. Urbanization is a composite of both social and spatial dimensions over a time expansion. It includes the relationship between urban people and urban land (Arjjumend, 2018). As the urban population increases, the land area occupied by cities has increased at even higher rate (ibid). In many developing countries urbanization is not managed efficiently (Cohen, 2006) and thus contributes to other problems such as informal settlements, poverty, and poor waste management (Arjjumend, 2018).

Poor data and understanding of housing demand

According to the FFC (2012.p7), in South Africa the demand for housing is poorly understood, and this is due to a lack of a common understanding of how backlogs are estimated. The South African government has 70,000 hectares of state-owned land that is meant for housing purposes, however it has not made available, even when land is made available for housing developments, the process and approval procedures can take up to three years to complete (ibid).

Community opposition

According to Blumenthal and colleagues (2016), community opposition creates significant barriers to development. Community opposition adds real costs to development under current approval procedures. These costs include extra years before the project is approved; fees for attorneys, studies, and hearings; and concessions of reduced density, more amenities, and other commitments (Blumenthal et al, 2016). Much of literature discusses and established community opposition as a NIMBY effect and gentrification, where resident oppose new developments, particularly when they bring increased residential density (Lowry and Ferguson 1992; Pendall 1999 as cited in Blumenthal).

Household Income

Lower-income households have limited spending power and, due to the competing needs on their smaller incomes, are only able to spend a small amount on housing (Massyn, 2015). According Rust, the South African housing market excludes large numbers of people from participating directly and benefitting from its operation (Rust, 2006). In the light that most low income households cannot garner enough money, both banks and government have realised that the conventional mortgage loan system is too complex and expensive for the low-income market (Bauman, 2001; Huchzermeyer, 2001). According to the JDA (2016), in Johannesburg the key housing problem in the Inner City is unemployment, either people do not have money or they work informally, which mean that they have irregular incomes that cannot be vetted. And without a credit history and check, most are disqualified from accessing housing.

2.6. Possible Solutions, tools and strategies to increase affordable rental housing

This part of the study will review existing policies and strategies that may incentive more private sector participation into building and providing more affordable rental housing and ownership housing in general. Again these are tried and universally tested strategies of which some have worked and others have not.

2.6.1 Alternative Solutions and Strategies

Nathalliga (2010.p6) states that affordable housing can be achieved only through symbiotic working of central, state and local governments. That both public government interventions which result in creation of housing stock as well as incentives for private players through appropriate policy and strategy are required to ensure that the balance of supply is adequate to large and ever increasing urban population and especially of the urban poor.

Housing Allowance and Rent Supplements

In some developed countries, some governments use housing allowances and rent supplements to ensure affordability of rented housing. According to Pomeroy (2001) from the demand side of policy instruments, rent supplements and housing allowance can be a very valuable instrument to influence the private sector as rent supplements are paid directly to the landlord and the allowances are paid directly to the tenant. These initiatives are significant in that they have the potential to help gain access to housing and removing the affordability barrier. Nevertheless, Witwer (2007) advises caution to these types of intervention can cause inflationary effects among low-end rental units if the supply of housing is not increased (Pomeroy, 1998; Taylor, 2006)

Exaction fees

Exactions are the costs imposed on new commercial and residential development, they range from dedication of land for public improvements to fees to funding public services such as roads, public space. and utility connection fees and, less commonly, to requests for developer contributions to day care facilities and other social programs (Reynolds, 1994). Waiving of impact fee suggested by Chava and Newman (2016) works the same as exactions and this reduces the traditional one-time charge applicable to developers for the cost of adding additional public services to the new development. Local governments require developer to construct or pay for all or a portion of the costs of capital

improvements needed for public facilities as a condition of development approval (Univ. Florida Law, 2014).

Inclusionary Zoning

According to the Furman Center (2008), inclusionary zoning (IZ) is an affordable housing tool that links the production of affordable housing to the production of market-rate housing. IZ policies either require or encourage new residential developments to make a certain percentage of the housing units affordable to low- or moderate income residents. IZ obligates developers to sell or rent a portion of their housing units below market prices or contribute to an affordable housing fund (NHC 2014, 2016). In the United States, where inclusionary zoning is used widely, targets of 10 to 15 per cent affordable housing inclusion are not directly linked to capital funding for affordable housing development, however, such targets are usually supported by the availability of planning bonuses such as density increases or concessions like reduced fees (Gurran, 2008).

Critics of IZ programs argue that mandatory IZ can also be a disincentive that can limit development of market-rate housing because developers can choose to go build elsewhere, where they are not required to sell or rent a portion of the units at below-market levels (Furman Center, 2008). Another criticism with regard to IZ is that some developers feel that it is an unfair to place the entire burden of providing affordable units on the developers and those with high income earners as they cross subsidize the low income households (ibid). According to Bruncik(2004, p.3), without a mandatory requirement, communities will most likely have to provide an extremely high level of subsidy to entice developers to produce homes and apartments affordable to low- and very-low-income households.

Housing Trust Fund

Housing trust funds provide a very flexible way for governments to commit resources to provide decent affordable housing (Brooks et al, 1999). Housing trust funds are funds established by legislation to receive public revenues, which can only be spent on affordable housing (uufnn, 2018). A local housing trust allows municipalities to collect funds for affordable housing, segregate them out of the general municipal budget into a trust fund, and use the funds for local initiatives to create and preserve affordable housing (MHP, 2013). Monies for the trust funds sometimes come from dedicated sources of ongoing public revenue from the city, county or state government, and also developer contributions from their upcoming projects (Kelly, 2014). Trust funds can provide financial support for the construction of affordable homes by private developers (non-profit or for-profit); rehabilitate existing homes to convert to affordable housing; Increase affordability in new housing development projects; develop surplus municipal land or buildings; preserve properties faced with expiring affordability restrictions; create programs to assist low-and moderate-income homebuyers and renters and more (MHP, 2013). These trust funds would help provide financing that would incentivize private sector developers to get more involved.

System Wide Approach

In a study conducted by Gurran and colleagues (2008), they proposed three scales of planning intervention for affordable housing. The first one is a system wide approach created to make the

planning process in affordable housing respond better to community and industry needs and it would focus on ensuring sufficient residential development and redevelopment opportunities in places of existing or forecast high demand, with a 10 to 15 year horizon. This is achieved by ensuring that well located land is zoned or categorised to permit housing development of the required character and density. Also it looks at addressing systemic deficiencies that discourage housing investment or renewal, like slow and uncertain planning approval processes, inconsistent, unclear or unnecessarily onerous development requirements, or high and indeterminate fees and charges (Gurran et al, 2008.p26).

Witwer (2007) agrees and calls for streamlining the planning process (Chava and Newman, 2016) that can reduce the time for development approvals, which can result in reduced costs to developers as well as potential future cost savings (Chava and Newman, 2016; Pomeroy, 2004). According to MGI, cities also need to streamline their processes to fast-track land use approval and permitting, creating a more predictable and less burdensome process. This would lessen the risk premium associated with building projects and possibly end up preventing some projects from being undertaken at all (MGI, 2017.p2).

Effective Methodologies

Gurran and colleagues' second strategy is one of effective methodologies that would help determine existing and forecast housing need within a local area, and to translate this need into targets for actual housing requirements at different house points. The objective is to maximise the affordable housing contribution without jeopardising the viability of the overall development. Methodologies for calculating contribution requirements might result in a fixed amount payable in all identified areas, or a negotiated requirement determined in relation to a particular formula (Gurran et al, 2008.p27).

Planning Mechanism

The third intervention is one of planning mechanisms which include: 1) housing supply levers; 2) barrier reduction strategies 3) preserving and offsetting the loss of low cost housing; 4) incentives for new affordable housing; and 5) approaches to seeking dedicated affordable housing supply in new development (Gurran et al, 2008.p27). These planning strategies and mechanisms that can used for affordable housing are summarized in the table 1 below by Gurran et al, (2008.p27-32): In the following table, Gurran et al (2008) listed a number of approaches that could be applied with regard to the planning strategies:

Provide land at low or no cost

Black (2012) stipulates that high land costs are one of the important reasons why rental development is not economically feasible in large cities. Reducing land cost could include freeing up surplus government-owned land for affordable development, redeveloping aging stock at higher density, encouraging municipal governments to purchase real estate in gentrifying areas to preserve affordable units, adjusting provincial and federal grant subsidy levels to reflect higher land costs in major urban centres or leasing land for building affordable housing (Black, 2012). Litman (2018) explains that governments often control various land parcels, including outdated public facilities and land acquired through unpaid taxes. They can donate or sell at a discount appropriate parcels to

affordable housing development, particularly for social housing to accommodate people with low income and special needs. Witwer (2007) agrees, stating that land contributions are important because the acquisition of a suitable site for affordable rental housing is typically more difficult due to the inability to compete for land at market rates. According to MGI (2017) “the unlocking of land to the fullest extent is key to reducing the cost of housing and renting.

Table 5: Planning strategies for affordable housing (Gurran et al, 2008)

<i>Strategic objective</i>	<i>Approach / mechanism</i>
1. Increase housing supply	Land audit Government dedication / acquisition of land Land development or renewal authority Land development incentives / penalties
2. Reduce barriers to affordable housing development	Audit existing controls; assess impact of proposed regulations Development controls permit diverse housing, in as many areas as possible Faster approvals for preferred development Overcome local barriers to affordable housing
3. Preserving and offsetting the loss of low cost housing	Social impact framework Preserving particular house types at risk Assistance for displaced residents
4. Encouraging new affordable housing	Graduated planning standards Planning bonuses / concessions Fast track approvals for affordable housing meeting defined criteria Fee discounts
5. Securing new dedicated affordable housing	Voluntary negotiated agreements Inclusionary zoning - mandatory contributions for all identified development in the zone Mixed tenure requirements – proportion of development in new release areas must be affordable Impact fees – mandatory contribution to offset impact of development on affordable housing needs

Streamlining the development process

Municipal approval, environmental assessments and building permits for development plans can take a long time to be processed at local municipal offices. Streamlining environmental assessments, planning and pre-development processes can help developers save cost and also decreases the risk of higher capital costs that result from interest rate increases that occur before construction financing is secure (Black, 2012.p30). Additionally Black (2012) also advocates for reducing the capital required for construction financing by giving for-profit developers a holiday on development charges (ibid).

Waiving Municipal Fees

Besides all the other cost that private developers have to pay, the municipal fees for an affordable housing project, in terms of development charges and building permits, are small compared to the overall development costs, however according to Witwer (2007) every saving on cost does make a

difference. According to FRPO (2015) the reason why municipalities charge development charges and permit fees is recover infrastructure costs that may be required to accommodate new development. There are specific requirements for how collected funds may be used; municipalities are required to set up a reserve fund for each service to which the development charge relates and these funds are not permitted to be used for operating costs or upgrading infrastructure (ibid).

Land Pooling or Readjustment

Land pooling and readjustment (LP/LR) is a technique for managing the planned development of urban-fringe lands, whereby a government agency consolidates a selected group of land parcels and then designs, services and subdivides them into a layout of streets, open spaces and serviced building plots, with the sale of some of the plots for cost recovery and the distribution of the remaining plots back to the landowners to develop or to sell for development (Archer, 1992). Land readjustment (LR) is an alternative land assembly tool for urban expansion and is most commonly used to expand urban boundaries on the periphery of cities (Lozano-Gracia et al, 2013).

Reduce developers' cost of capital by having the government provide loan guarantees to developers of affordable rental buildings

Black (2012) stipulates that in this strategy, due to the guarantee which removes the risk of non-repayment of loans, the savings will be a result of lower interest rates, commensurate with the lower risk to financiers. The benefits of this strategy is that it is cost-effective for governments as no cash outlay are required, granted that clear rules and regulations are in place, including financial criteria, to protect the government from developers' defaulting on loan repayments (Black, 2012).

Tax Incentives

According to Black (2012), tax incentives can be very helpful in housing development, as they can make moderately priced rental development financially feasible for private-sector players. According to Witwer (2007) tax incentives can often mean the difference of pursuing a project or not to a private developer. A study conducted by Williams and Boyle (2012), found that selective tax waivers and other incentives for developers, investors and residents play a significant role in improving the physical and economic environment in cities. Witwer (2007) agrees that opportunities exist for government to change tax laws to encourage private developers to build affordable rental units. Most tax changes affect new rental construction, but not specifically affordable rental construction if the overall supply of rental units can be increased, the impact on overall affordability will include lower rental costs that can target the informal and formal rental market (ibid). Black (2012) suggests the waiving capital gains tax on rental developments held for more than 20 year, using the tax system to reduce development costs by creating a refundable tax credit, and Allow capital gains rollover provisions for small-scale investors to introduce greater flexibility into the small-scale residential investment sectors (BCREA, 2006; TBOT, 2003 as cited in Witwer, 2007). Williams and Boyle's (2012) research indicated that property-based tax incentives were primarily successful in accomplishing physical development objectives during the period of 1986-2011.

Density Bonusing

Density bonusing allows developers to add more floor area or additional density in exchange for certain provisions that benefit the community, such as a certain percentage of affordable housing units (Chava and Newman, 2016). This free land acts as subsidy in the rent or sale price of affordable units (Chava and Newman, 2016). When adding and growing the density of a project, a developer can provide affordable housing units without negatively influencing the revenue as the land becomes cheaper per unit (Kowalchuk, 2004). Furthermore, alternatively another suggestion is to get more out of underutilized sites and building infill housing on vacant parcels of land. Where appropriate, governments can earmark unused public lands for housing development. Transforming industrial sites and in cities surrounded by undeveloped or agricultural land can invest in greenfield housing projects on the outskirts. Also, many cities can encourage the owners of single-family homes to add accessory dwelling units.

These may include garage apartments, basement apartments, or backyard cottages (MGI, 2017.p2). Litman (2018), mentions that to make sure that negative effects are curtailed, affordable housing directives should be implemented with other incentives to encourage development Density bonuses help because they supports compact, affordable, infill development while preventing land value increases that would result if increased density were allowed for higher priced housing units(ibid). In addition, the reduction of municipal fees as well is another way to incentivize developers. Municipalities use two main forms of fees to cover the administrative costs of processing a development application, permit fees and development levies paid by developers to offset the capital costs associated with infrastructure (Witwer, 2007).

Alternative Development Standards

Witwer (2002) advocates for alternative development standards, emphasizing that this is where flexible planning and engineering requirements and regulations would allow for alternatives in design and construction, for examples narrower lot sizes whereas engineering standards can include reduced road allowances or reduced parking requirements (Witwer, 2007; von Hausen, 2002). For a developer, alternative development standards can reduce construction costs and allow for a more efficient use of land. This can be applied directly to affordable housing projects, by reducing the parking requirements, floor sizes of building lots and/or construction material (Witwer, 2007; von Hausen, 2002). The result would be that more land can be utilized for housing units thereby increasing the economies of scale for construction and reducing per unit cost of development (Witwer, 2007).

Direct Subsidies

Inspite of tax credits or regulatory incentives to generate greater private sector provision of affordable housing, some form of direct subsidies is needed to bridge the funding gap between the cost of development and potential revenue generation (Kowalchuk, 2004; Pomeroy, 2001, Witwer, 2007). Most of the economic literature on housing subsidies favors market-friendly, demand-side subsidies. They enable low-income beneficiaries to rely on competitive markets to access a range of affordable choices. Unlike public housing programs, they generate fewer distortions and are simpler

to phase out when beneficiary incomes rise (Hammam, 2013.p13). The choice of subsidy instrument depends largely on the perception of the housing problem, the policy goals, the market and institutional context (ibid).

Direct subsidies could be either as capital grants or even subsidized mortgages or loans (Witwer, 2007). The capital grants for a continuum of affordable housing options are matched by municipalities with additional contributions from industry, employers, private developers and social service agencies, depending on the target group (Tsenkova and Witwer, 2011.p66). Litman (2018) indicates that subsidies may drive up rents and displace other deserving households, where lower-priced housing supply is limited. Tsenkova and Witwer (2011) agree, pointing out that due to changes in government, subsidies can be unpredictable as each succeeding government in power tends to repeal or change the previous government's' policies and funding requirements. However Glaeser and Gyourko (2008), note that a large part of the benefits of supply subsidies is absorbed by developers and thus advocate that demand-side subsidies have performed better, but they take into account concerns about the impact on non-subsidized households in supply-restricted markets.

Financing

Housing development is generally a capital intensive industry to be in and due to this fact, private developers do not necessarily possess enough money to be able to finance development projects out of pocket, hence they rely heavily on financial institutions and investors. However, due to risk factors, securing financing from these institutions can be tricky. Black (2012) stipulates that only a limited number of companies develop rental housing, as it is extremely difficult to make a satisfactory return, especially in large cities where land costs are high. McDonald and McMiller (2007) established that when government subsidies diminish, affordable housing developments are obligated to depend on multiple avenues of financing from a variety of sources, including financial institutions and other funding methods. Black (2012) states that obtaining financing on favorable terms is cited as the biggest barrier to new rental development and financiers will not finance a project unless they are sure that the loan will be repaid with interest.

According to Pomeroy, policies to facilitate access to mortgage finance have favored the ownership sector, but in some countries the benefits of a sound housing finance system have extended to the rental sector—both for private investors and in the public and social rented sectors. This was especially the case in Canada, where initially direct government loans (1964– 1978) and subsequently public mortgage insurance enabled developers of rental properties to readily access mortgage financing (Pomeroy, 2011.p15). Additionally, Pomeroy (2011) suggests that to promote and sustain development and investment in existing assets, it is critical to have a formal system to recognize and catalogue land and property ownership as a way to facilitate registration of mortgages and secure property rights. The following financing methods could to impact positively in making affordable housing projects more affordable as mechanisms, such as mortgage insurance, enable lenders to manage risk and guarantee rental cash flows for debt service affordability are (Pomeroy, 2004a; 2004b; Myerson, 2007 as cited in Witwer, 2007) lower interest rates or interest-free loans; larger loans; longer amortization periods; reduced premium fees; deferred payments; and, more flexible or alternative underwriting practices.

Regulatory Framework to Balance Property Rights and Security of Occupancy

Pomeroy (2011) asserts that the key to an effective rental sector is a balanced regulatory framework that not only protects occupancy rights of tenancy without imposing excess risk on investors but also one that doesn't suppress rent levels to the point that return on investment to property owners is unattractive. These rent regulation include security of occupancy, which essentially establishes duration of occupancy as well as limits opportunities for landlords to remove tenants except for specified and usually limited reasons and a control on levels of rent increase, intended both to preserve affordability and to preclude de facto economic eviction, which would occur if rents increase well beyond the tenant's ability to pay (ibid).

Operating Cost

According to Black (2012) the reduction of ongoing operating costs by excusing affordable units from property taxes or giving them breaks on hydro charges can be a motivating factor to the private sector for rental housing. Black believes that affordable rental projects should be designed to ensure that the target affordable rent per unit covers the operating costs which requires consideration of cost benefit trade-offs (ibid).

Land Value Tax and Undeveloped Land Surtax

Land value taxes that shift property tax burdens from buildings to land value tends to encourage more compact, accessible development, and reduces land speculation (Rybeck and Rybeck 2012 as cited in Litman, 2018). This makes buildings cheaper to construct, improve and maintain, and discourages land price increases and speculation, resulting in more affordable, infill development on high-value sites (Litman, 2018). Also the use of Tax Increment Financing (TIF) would raise more funds for the development of affordable housing. Tax increment financing (TIF) is a mechanism based on using anticipated future increases in tax revenue to finance current infrastructure improvements which are thereafter expected to generate the increased revenues (The British Property Federation, 2008). TIF is traditionally implemented to fund urban renewal projects, affordable housing and public infrastructure. It aims at promoting efficiency of public investment in infrastructure by creating an incentive to locate where there is infrastructure capacity (Medda and Modelewska, 2010).

In summary, there are a lot of challenges and obstacles to engaging the private sector into affordable housing. And there are also a lot of strategies that could be possible, however it is never really certain which combination of these strategies work best. Implementing one solution over another does not mean it would fix the problem. Nevertheless, the private sector, have the knowhow and skill set needed to possibly make low income affordable housing a reality. A good partnership between these sectors, could possible make low income housing a reality for many households in the Johannesburg inner-city.

2.7. Local strategies aimed increasing the delivery of affordable rental house

2.7.1 Government Housing Delivery

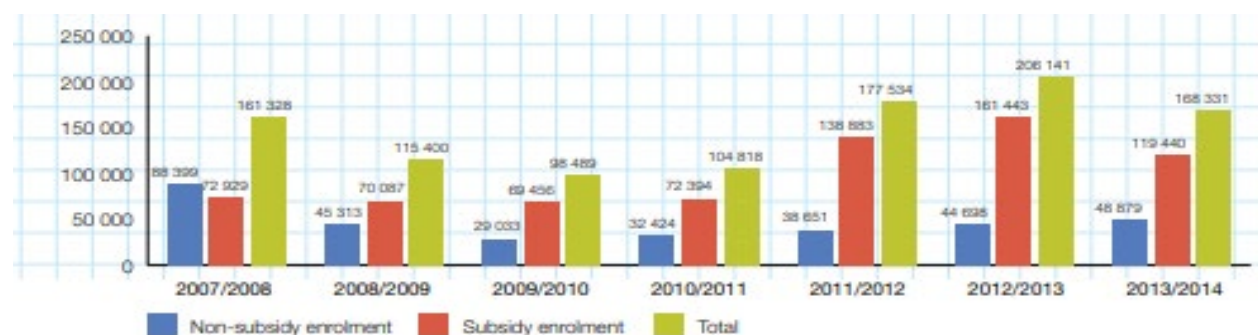
According to the Fuller Center (2014), the government is the primary stakeholder to provide housing for low income households in South Africa. Since the end of apartheid, the government has delivered “more than 2.8 million units in 2010” (Fuller Center. 2014). However, even though there has been a lot of subsidized housing delivered for low income housing, the housing backlogs remains at levels similar to those in 1994(FFC, 2013). Population growth and migration to cities add to the demand for housing, housing subsidies and increasing costs over time imply that more subsidies will be required to deliver on promises (ibid). In fact, according to Wilkinson (2015), South Africa state subsidized housing provision has been on the decline. With these constraints in public housing delivery, more participation from the private sector can very useful in improving the housing sector.

2.7.2 Private Sector Housing Delivery

The private sector has played a significant role in housing delivery, however in recent year, there has been a lot of reluctance, especially with regard to rental housing for low income households. According to Nell et al (2005), the private sector provided just under 200 000 houses across South Africa between 2000 and 2004 and of that, 42% or 82 944 units were delivered in the sub R200 000 market, also known as the “affordable” market. In the period from 2007 to 2014, the private sector provided over one million homes (NHBRC, 2014). In addition, for households who cannot afford housing in either the formal private sector rentals or government sponsored housing, the informal housing sector steps in to provide housing, this is usually in the form backyard shacks or rooms.

Homeowners and landlords usually rent out space in their backyards to potential tenants. Much of the housing delivered in the informal sector is known as backyarding, where landlords put out small backyard rooms for rentals. Some of these rooms are usually made out of shack material designed by small-scale landlords (Lemanski 2009). In this sector, the private sector tends to act as developers and contractors, although often in individual capacity and often informally (Lemanski 2009; Landman & Napier 2009; Mtanto 2016). Backyard dwellings are a uniquely South African phenomenon (Crankshaw, Gilbert, & Morris, 2000), and in most cases take place without the approval of the municipality and planning office.

Figure 4: Total number of enrolment for subsidy and non-subsidy homes from 2007 – 2014 (NHBRC, 2014)



2.7.3 Types of Rental Housing in the City of Johannesburg

Johannesburg and many other cities in South Africa offer different housing, some similar and some not. There are a number of stakeholders providing rental accommodation in the inner-city of Johannesburg. They can be divided into formal, informal and small-scale formal landlords operating in the inner city.

Table 6: Inner-city housing supply.
Source: Adapted from ICHIP (2016) and Tissington (2013).

Rental Type	Range of Characteristics
Formal Private Sector	<ul style="list-style-type: none"> • Properties let at a commercial rate, and at a profit. • Estimated 55 000 units under management • Rentals: R750-R5 000 /(\$53-\$355) month (exclude service charges)
Social Housing	<ul style="list-style-type: none"> • properties managed and controlled by social housing institutions (SHIs) • Estimated 4 000 units under management • Rentals: R750-R 2 500/(53-\$178)month (generally incl. of service charges)
Small-scale Landlord	<ul style="list-style-type: none"> • Semi-formal subletting and backyarding • Number not clear • Rentals:R500-R2 000/(\$35-\$142)mth (bed, doorway, shared rooms etc)
Slumlords	<ul style="list-style-type: none"> • Formally owned rental stock but poorly managed and hijacked • Number not known, Rentals not know but likely in line with formal private
Informal	<ul style="list-style-type: none"> • informal subdivided spaces • Occupied non-residential spaces- may have some community structure. • Number not known • Rentals not known

According to the ICHIP (2016), the formal private sector managed to deliver an estimated 50 000 new apartments, largely through the conversion of vacant office buildings, however due to their pricing, none of them were for low income households. According to Tissington (2013.p55), the cheapest room available on the private rental housing market is a room rented with a maximum of two people at a rent of R1 700(\$121) per month, excluding services. Even with two people sharing, this is not available to those with a combined monthly income less than R5 200(\$370) per month (ibid) when using the affordability criteria. The only possible way to rent in the formal housing sector for low-income households is to illegally sublet flats to others sharing rooms or spaces in the same unit thus resulting in overcrowded places which infringe on municipal by-laws (ibid).

According to urban landmark, small scale landlords are contributing significantly to the supply and management of affordable rental housing for poor people, as well as generating significant income and wealth. They provide for about 15% of all South African households (1,85 million households) 60% comprises household rental in well located and affordable areas (Urbanlandmark, 2006). According to ICHIP (2016), they have been more successful and have the potential to increase the supply of affordable housing stock, however most small scale landlords have been overlooked in policy.

2.8. Policies and Legislations towards housing delivery

“There is no single solution to the problem of providing housing for the poor”(Ndlela, 2005).

Countries around the world have tried many different strategies and tools to find solutions to housing the urban poor. The South African government has introduced the following policies and legislations in an effort to create an enabling environment for the delivery of housing for all South Africans, including the low income households.

South African Constitution: 1996

Firstly, the South African government declared that access to housing is a human right. Section 26(1) of the South Africa Constitution declares that all South Africans shall have the right of access to adequate housing (Constitution of the Republic of South Africa, 1996: s26(1)). For housing to be accessible, the government must take all measures necessary irrespective of their economic status, for the citizens of South Africa to access affordable housing.

White Paper on Housing: (1994)

Post-apartheid South Africa dedicated itself to providing free housing to the masses. The Housing White Paper was the first official policy document adopted by the African National Congress (ANC) government for the purpose of delivering free houses. It is an integrated socio-economic policy framework to reconstruct South Africa after Apartheid (Gordon et al, 2011). This approach and

strategy for South Africa devoted the government to “the establishment of viable, socially and economically integrated communities situated in areas allowing convenient access to economic opportunities as well as health, educational and social amenities”(Housing White Papers, 1994. p22). Under the title of the Redevelopment and Reconstruction Programme (RDP), the initial aim of this policy programme was to expand the national budget allocation of housing to 5 percent and to accelerate housing delivery peaking at 338 000 units each year in order to be able to reach government targets of 1 million in five years (Tissington, 2011.p59).

A key component of this Housing White Paper was the establishment of the National Housing Subsidy Scheme (NHSS), which is a subsidy that provided capital for housing to qualifying beneficiary households. The ANC government wanted quick delivery to guarantee access to housing and used individual income-linked state subsidies to achieve this goal. These subsidies would be applied for by and then handed over to private developers for them to develop serviced houses on freehold tenure site(Tissington,2010, p.32), which meant that these projects were initiated, planned and built by private developers for the national and provincial government as they had negotiated this settlement in the NHF.

Nevertheless, the policy itself had negative impacts from delivery, Charlton and Kihato state that service standards relating to sanitation, water and roads were often dropped to deliver houses in greater numbers and size (Charlton and Kihato, 2006.p267), hence many problems arose with both the quantity and quality of the delivered houses. Tissington believes that housing delivery had a limited impact on poverty alleviation and houses had not become the financial, social and economic assets as envisioned in the early 1990’s (Tissington 2011.p61) because most of these houses were still located on the outskirts of the existing townships on land that was zoned during the apartheid era (Charlton and Kihato, 2006.p268) Due to some of the issues that arose from this policy, it was later amended under the Housing Act of 1997. The policy and development principles continue to lead all developments with regards to housing policies and implementation.

Housing Act, 1997 (No. 107 of 1997)

The Act sets out the general principles for housing delivery in South Africa, the functions of the different spheres of Government and the South African Housing fund (Gordon et al, 2011.p8). Additionally, it also provided for the facilitation of a sustainable housing development process; to lay down general principles applicable to housing development in all spheres of government, to define the functions of national, provincial and local governments in respect of housing development. (Housing Act, 1997. p1). It aligns National Housing Policy with the Constitution of South Africa and clarifies the roles and responsibilities of the National, Provincial and Municipal government (Gordon et al, 2011).

According to this act, national, provincial and local spheres of government must give priority to the needs of the poor in respect of housing development, consult meaningfully with individuals and communities affected by housing development, ensure that housing development provides a wide a choice of housing and tenure options (Housing Act, 1997. p5). The national government is tasked with

formulating policies, the provincial government with coordinating housing provision in its jurisdiction and the local government is assigned the implementation of housing projects. However, this shift to local government faced backlash due to municipal government being overburdened and under capacitated and some criticized and warned that the motivation for the shift included a desire for local councils to gain control over housing developments, (Tissington, 2010.p37).

The Prevention of Illegal Eviction from and Unlawful Occupation of Land Act (PIE) 19 of 1998

Under section 26(3) of the Constitution, the PIE Act provides safeguards tenants against the eviction of unlawful occupiers living on both privately- and publicly owned land (Tissington, 2011.p16). It allows for a fair process to remove people who occupy land illegally, otherwise it states that it is an offence to evict tenants without following the correct process (ibid). PIE also provides that no person home may be demolished or a person evicted without a court order after considering all the relevant circumstances (Moolla, 2016). However, in case of an eviction, especially in rental accommodation, the PIE act results in conflicted ruling in the courts with regards to eviction orders, some rulings reflect a “tough approach” (Huchzermeyer 2003b.p 85) which protects the rights of property owners and investors, others promote the rights of unlawful occupiers (Government of the Republic of South Africa and others v Grootboom and Others, 2000.p11).

This act has resulted in some unintended externalities with regard to housing supply. Due to the many illegally hijacked buildings in the inner-city of Johannesburg, developers have had to go through the process of obtaining eviction orders that are sometime dragged for month in court due to tenants refusing to leave the property. The long delays and legal processes to obtain evictions cost developers time and a lot of money.

Rental Housing, 1999 (Act No. 50 of 1999)

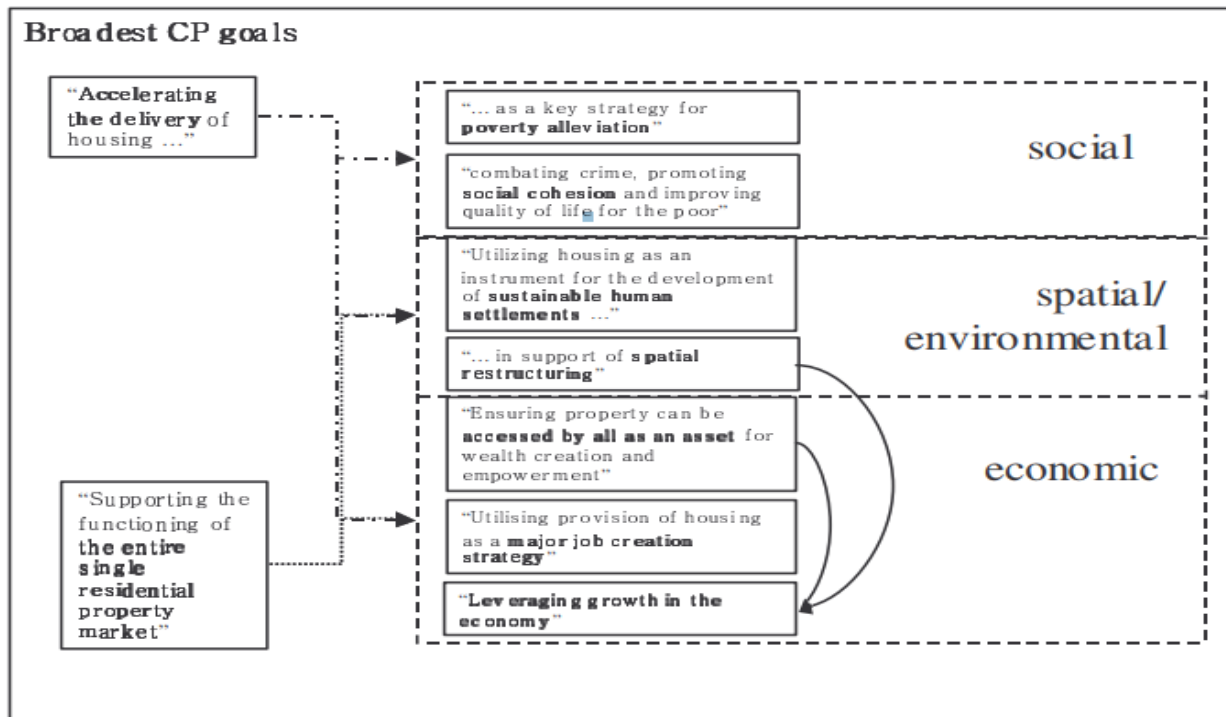
The Rental Housing Act 50 of 1999 as amended (RHA) deals with tenant-landlord matters in respect of residential dwellings in the entire geographical area of South Africa (Mohamed, 2010.p17). It sets out what should be enclosed in a rental agreement and it also outlines the rights and a responsibility of both parties in a landlord tenant relationship, and provides information on the cancellation or termination of a lease (SERI, 2011). The Act is there to recognize that rental housing is an important instrument in the wider housing sector of South Africa. It forces and requires government to recognize and promote the need for rental housing and help assist with its delivery. This act is relevant because it is apparent that in South Africa many people cannot afford to buy a house on their own, the money is not there and they usually do not qualify for financial assistance from financing institutions. Investing in rental accommodation is necessary and making it accessible to low income households.

Breaking New Ground(BNG) (2004)

BNG was a result of the failure of the RDP program mentioned above. This shift in policy moved away from just the provision of shelter to building livable and sustainable settlements communities, also it was an emphasis on the number of units delivered towards the quality of the new housing stock and environments (Mthembi-Mahanyele, 2002.p8). These issues included but were not limited to residential development in the periphery, poor settlements, lack of community participation, slow

delivery and corruption (Tissington, 2011). It was devised by the National Department of Housing (NDoH) with the particular focus of establishing adequate, liveable and sustainable human settlements for the poor (Tissington, 2011). Napier (2005.p13) summarized the objectives of BNG as follows:

Figure 5: BNG Objectives



Source: Napier, 2005:13

According to the BNG document, a new plan was required to redirect and enhance existing mechanisms to move towards more responsive and effective delivery (BNG, 2004. p7). However, the BNG programme has been criticised for not fully addressing the key weaknesses with the previous policy and not clearly demonstrating a unifying conceptual foundation which offers policy direction into the future (Tissington, 2010; Charlton and Kihato, 2006).

Inclusionary Housing Policy (IHP) 2007

In 2007, a national policy on inclusionary housing was drafted to foster the provision of affordable housing within private property developments, but this drafted document itself has yet to become official legislation (Robin et al, 2013). Inclusionary housing in South Africa means the harnessing of private initiative in its pursuit of housing delivery to middle and higher income households to also provide and include low income affordable housing opportunities in order to achieve a better socioeconomic balance in residential developments and also contribute to the supply of affordable housing (IHP, 2007.p9). The introduction of IHP was part of a strategy to densify cities and to encourage social integration, minimize urban sprawls and give opportunities to low income household in accessing housing in prime areas.

If adopted, it means that commercial development including housing developments that are not directed at those earning R1500(\$106) or less, will spend a minimum of 20% of their project value on the construction of affordable ownership/rental housing (currently defined as housing targeting households earning between R1500(\$106) and R8000 (\$568) per month (IHP, 2007. p3). According to Tissington (2011) this partnership between the public and private sectors resulted in developers agreeing, in principle, to set aside a percentage of the total value of the commercially driven housing developments, in a certain price range, for investment in the low-cost housing sector (Tissington, 2011.p71).

According to some researchers, regardless of the fact that the idea of inclusionary housing has been highly praised, it has been slow to get off the ground and has been confined to urban and metropolitan areas in its limited implementation (Tissington, 2011). Though initially there was an agreement to this draft policy, it has been met with some criticism. The South African Property Owners Association (SAPOA), an organization representing particularly large property companies, argued strongly against any form of compulsory approach, noting that 98 % of its members did not support inclusionary housing raising concerns about government's institutional capacity to carry through such policy, particularly given that planning and legislation remained fragmented, resulting in very slow approval processes (SAPOA, 2006 as cited in Klug et al, 2013.p670). According to James (2018), Sapoa believes the proposed mandatory 20% inclusionary housing requirement may negatively affect the feasibility of residential developments and is potentially burdensome to private developers already experiencing declining returns and profit margins.

The Social Housing Act, 2008 (Act No. 16 of 2008)

According to McGaffin (2018.p4), in order to address the gap in rental housing and to assist those lower income households earning above the "RDP" housing income thresholds, "social housing" was introduced and implemented through various social housing institutions using a combination of subsidies. It is defined as a housing option for low-to-medium income persons that is provided by housing institutions, and that excludes immediate individual ownership (Social Housing Policy Draft, 2003). The intention of social housing is to provide low income households with housing options, as well as a host of other services which provide community development and empowerment benefits and promote a lifestyle conducive to community living (Social Housing Foundation, 1998). It was created as a response to the provision of good quality rental housing stock to be given in medium to high densities for people of low to medium incomes (NASHO, 2012).

Nevertheless, from its onset, social housing was not meant for the very poor, but for households that can earn a secure income, formally, so as to be able to afford the rent or other periodic payment for housing (Social Housing Policy Draft, 2003). These affordable units are subsidised by government with the requirement that they be used to provide strictly rental accommodation to house tenants that fall within a specific low to medium income range - R1,500(\$106) - R7,500(\$532) per month (NASHO, 2012). SH is the only option that is reachable for low income households, however it is highly oversubscribed with long waiting lists and not enough housing units to accommodate everyone. Besides this option, most of the other affordable housing options are just too expensive. The social

housing market is viewed in terms of the subsidy income bands. According to the DHS, the primary target income band is R1, 500(\$106) to R7,500(\$532) (Sapoa, 2018; Scholtz, 2014). The primary funding of the program is done through the application of the Restructuring Capital Grant (RCG) subsidy that is implemented on projects that are well located in terms of Restructuring Zones (RZ) (Scholtz, 2014). According to the Social Housing Act (2008), RZ's are geographic areas that are identified for targeted investment based on the need for social, spatial and economic restructuring of the areas. SHRA states that the main purpose of the social housing Restructuring Capital Grant is to contribute towards spatial, social and economic restructuring of South African cities (SHRA, 2018).

It is an important contribution to the capital cost of a Social Housing Project, contributing to the delivery of viable, feasible, and sustainable Social Housing Projects that provide affordable rental housing to the poor (SHRA, 2018; Scholtz, 2014). Scholtz (2014), mentions that when the grant is acquired, then 30% of the subsidized units provided must be targeted to the poor, with households earnings of about R1500 -R 3500 (\$104-255) per month. The entry level rental for this level was set at R750 (\$52) per month and SHRA believes that this amount of rent is an achievable target that can make the programme sustainable (Scholtz, 2014), however for the DHS, reaching low income households in the deep down market of rents that range between the lowest possible rental which is operating cost per unit is assumed to be R500 per month, implying an income of R1500 per month and R1166.66 implying an income of R3500 per month (DHS, 2009.p76). Due to SH, it has been viewed in terms of income with an insufficient grant programme from the existing institutional subsidy, this has led to a social housing system serving a very narrow segment of the housing market near the top of the R3,500 cut-off point (DHS, 2009.p29). Furthermore, this has seriously affected the ability of social housing institutions to conduct sustainable business as the pool of subsidized beneficiaries is very small (ibid).

Housing Subsidy Programmes

According to Hammam (2013.p13), some of the reasons why government intervene in housing provision through subsidies included negative externalities affecting public safety and social stability; equity concerns, whereby low-income groups are deemed to need housing assistance; and market failures. Consequently, based on the housing policies and legislation in South Africa, it is evident that much of the housing provision is highly dependent on government subsidies. The government introduced a national housing programme that included subsidies to low income households with qualifying criteria to aid housing provision and these subsidy would ensure a piece of land, the building of a basic house with the installation of sanitary and water services (The Fuller Center, 2014.p3; Napier, 2005.p12). These subsidies consist of a paid once off grant by government, in which the actual amount is adjusted accordingly on a yearly basis. In order for households to qualify for these subsidy grants they need to meet a certain criteria:

- *The individual must be a South African citizen*
- *Competent to contract ie Must be 18 years of age*
- *Not yet benefited from government funding*
- *First time property owner;*
- *Never owned a property before*
- *Must be married or living together with a dependant*

- *Must monthly household income not exceeding R3500.00*
- *Single Military veterans*
- *Persons classified as aged*
- *Persons classified as disabled (Ojo-Aromokudu, 2013)*

Below are the subsidy programmes that were devised by the government through the National Housing Code.

Table 7: Programmes of the National Housing Code

Financial Programmes	<ul style="list-style-type: none"> • Accreditation of Municipalities, • Enhanced Extended Discount Benefit Scheme, • Individual Subsidies, • Operational Expenditure Budget in Support of the Implementation of National and Provincial Housing Programmes, • Integrated Development Plans, • Provision of Social and Economic Facilities, • Rectification of pre-1994 Residential Properties and Subsidy Quantum
Incremental interventions	<ul style="list-style-type: none"> • Consolidation Subsidy Programme, • Emergency Subsidy Programme, • Integrated Residential Development Programme, • Enhanced People's Housing Subsidies, • Upgrading of Informal Settlements Programme and Subsidy Quantum
Rural interventions	<ul style="list-style-type: none"> • Communal Land Rights Programme, • Farm Resident Subsidy Programme
Social and rental interventions	<ul style="list-style-type: none"> • Community Rental Units Programme, • Institutional Subsidies, • Social Housing Policy

Source: Own creation based on (SERI, 2011.p22; NHBRC, 2014.pA-14)

Due to the fact that this research is focusing on the development of affordable rental housing in the urban environment, the most relevant subsidy programs are the integrated residential development programme, social housing programme and institutional subsidies, and emergency housing.

The Integrated Residential Development Programme

This programme provides a tool to plan and develop integrated settlements in well located areas that include all the important land uses, housing types and price categories to become an integrated community (DHS, 2009). Integration is achieved through the provision of both bonded and subsidised housing in a mix appropriate to the projects location, which in turn lends itself to facilitating inclusionary housing development (ibid). The subsidy amount is linked to household income and the beneficiary must finance any loss. The programme provides for a phased approach to provide:

- Land acquisition where required;
- Township planning and municipal engineering services design;
- The provision of municipal engineering services to all the stands where no alternative funds are available;
- Township establishment;
- The sale of the stands not identified for subsidised housing created in the township;
- The construction of houses by registered contractors for housing subsidy beneficiaries who chose contractor built houses (DHS, 2009).

Certain beneficiaries of this programme are required to make a financial contribution where his or her monthly income exceeds a specified threshold to be announced annually (DHS, 2009). And with regards to institutional arrangements, the municipality takes the position of a developer in these projects and facilitates everything (DHA, 2009.p13).

Emergency (Transitional) Subsidy Programme

The intention of the Emergency Housing Programme is to provide assistance in cases of emergency. Assistance can be proactive or reactive. The municipality, when possible seeks to take preventative measures, and avoids using the policy indiscriminately or in a manner that may incentivise negligence (HDA, 2012.p13; SERI, 2010). Emergency housing is intended to fill the gaps where other larger programmes are unable to address particular development needs and issues. It is important that the Emergency Housing Programme supports and integrates with programmes such as formal housing delivery programmes, and disaster responses (ibid). Funding under the programme is made available to municipalities as grants in order to allow them to respond rapidly to emergencies by means of the provision of land, municipal engineering services and shelter (DHS, 2009.p13; SERI, 2010.p94).

This programme assists all people that are affected and are not in a position to address their housing emergency from their own resources. Nevertheless, emergency housing has also encountered some problems, according to SERI (2010), interventions by municipalities dealing with emergencies have been minimal and administered on an ad hoc basis, with most grants in urban areas not being claimed, however being disbursed for disaster relief in the rural areas instead(SHF & Urban Landmark.p18-20). SERI (2010), mentions that obtaining fund for emergency housing from provincial government is difficult and there is no clear guidelines in terms of what is considered an emergency housing situation.

The Institutional Subsidy Programme (ISP)

This subsidy was introduced to provide capital grants to social housing institutions which construct and manage affordable rental units. It also provides for the sale of units by the social housing institution after at least four years have lapsed (DHS, 2009). According to Tissington, (2011.p97), the ISP was initiated in order to provide capital grants to registered housing institutions to build and run affordable rental housing outside of the restructuring zones in respect of qualifying beneficiaries, unlike Social Housing that is applicable within specific zones. The maximum institutional subsidy amount applies for all households earning R3500(\$248) per month and below. The monthly costs for institutional housing are required because all residents need to contribute to the operational costs of the social housing institution (PSC, 2003:p10). The Programme assist mostly South African nationals, and people living in South Africa legally, with legal contracts and not earning an income more than the amount provided for in the programme funding schedules annually announce (DHS, 2009.p25).

Finance -Linked Subsidy (FLISP)

According to FLISP.co.za (2018; NHFC, 2018), FLISP is an initiative driven by the DHS to assist qualifying households who have secured a mortgage bond to acquire a residential property for the first time. The objective of the program is to decrease the initial home loan amount to render monthly instalments affordable over the loan repayment term (ibid). This subsidy aimed to focus on households whose gross income ranges between R3501 (\$248) but does not exceed R15 000.00(\$1,064) joint household income per month (KZNDHS, 2018). Qualifying households earning between R7001(\$497) and R15000(\$1,064) per month qualify for financial assistance towards the repayment of the bond. The subsidy attaches to the beneficiary and not to the property (HDA, 2018).

Community Rental Units Programme (CRU)

According to DHS website (2018), CRU was developed to supplement and support the upgrading of government owned rental accommodation. These were formerly mostly men's hostels. Tissington (2011) stipulates that CRU was intended to provide rental accommodation to very low income households currently underserved and accessing informal rental housing opportunities. It aims to facilitate the provision of secure, stable rental tenure for lower income persons or households and thus provides a coherent framework for dealing with the many different forms of existing public sector residential accommodation (DHS, 2010). Since Social Housing does not provide rental accommodation affordable to the very poor who are mostly informally employed, the CRU programme aims to provide a framework for the provision of secure tenure, stable conditions and good quality rental accommodation to the lowest income sector (Tissington, 2011). CRU's intended contributions are to renovate and redevelop the following:

- public hostels owned by provincial departments and municipalities
- grey hostels that have both a public and private ownership component due to historical reasons
- public housing stock that cannot be transferred to individual ownership
- publicly-owned rental stock developed after 1994
- existing dysfunctional, abandoned or distressed buildings in inner cities or township areas that have been taken over by a municipality
- new public rental housing assets (Tissington, 2011.p103).

Even though the CRU programme is known among the rental sector, it has faced some criticism. According to SAHF (Joshco, 2014), it is difficult to evaluate the CRU programme because of lack of information. SAHF also mentions that the programme creates internal incoherence within the existing South African housing system, that it inequitable, unsustainable and that it entrenches dependency, with expensive units at sub economic rentals with poor management (Joshco, 2014).

2.9. Summary

In summary, so far the literature review summarized a number of concepts related to affordable housing in South Africa and Johannesburg. This section also provided a number of challenges that currently prohibit the delivery of affordable rental housing and reviewed literature on suggested interventions that many governments around the world have tried to implement. It followed by introducing the South African government housing delivery policy interventions since 1994 and how those have progressed till today. Nevertheless, though intended to better improve the context of housing provision, some of these policies and legislation have in fact added even more regulatory barriers to the problem, which further impede and discourage further participation from the private sector. Clear and comprehensive policies and legislation are needed to tackle the housing problem and encourage maximum participation from all the stakeholders involved.

Chapter 3

Theoretical and Conceptual Framework

3.1. Theories to Housing Provision

Housing policies have evolved and continue to change in order to deal with housing issues and the focus of governments when it comes to housing the urban poor. In an effort to finding solution to the problem of housing and the proliferation of slum areas in many big cities around the world, many countries in the West looked to the government to provide solutions. Back then, the dominant public policy in low income housing looked to the state as provider of public housing in the form of permanent construction units, often apartments (Pugh, 1994). The intention was that public housing would replace slum settlements and thus provide decent and livable accommodation for low income households. Public housing became a way of doing things in some industrialized countries and since developing countries were also facing similar housing issues, this system was transplanted without much thought about differing contexts into developing countries (Pugh, 1994).

However, the recommendations had little effect on improving the housing conditions of the poor or on the housing sector as a whole in developing countries and the strategies did not benefit those in most need of housing (Habitat International, 2016). Instead, they failed to promote integrated approaches to housing through linking land, finance, technology, legislation and urban environment (Duran, 1995). According to Turner (1977), it became clear that most governments were being unsuccessful in the role as housing providers and hence he strongly advocated self-help housing by users as principal agents in the development of their own housing. Much criticism against government intervention eventually led to a renewed strategy heavily influenced by neoliberalist thinking called the enabling approach which was born out of the World Bank's involvement in housing issues around the world. Nowadays, the shift to privatization of housing has gained traction for many countries in the west.

Table 8: Shift in the delivery of housing. Adapted from: Acioly (2005).

1930-1970's	70's-80's	The 1990's
State provides housing	State as an initiator	State as an enabler
Housing as part of national development	Housing as a basic need	Decentralisation, housing as a matter for local government
Housing as a product	Housing as a process that also involves the people	Housing without housing

3.2. Housing and economics

According to Smith (2006), the law of economics plays an important role in housing markets. The higher the demand of any good, the higher the market price for it. Hence, the more the demand for a house to buy or rent, the higher the price for the available stock. Households that earn less are

automatically excluded from the housing market because they cannot afford it. Due to this fact, Smith asserts that markets alone will never satisfactorily house a nation's poorest citizens because whether people buy or rent, housing is typically affordable to only half of the population (Smith, 2006). Housing and residential construction are of central importance to both the level of welfare in society and the level of aggregate economic activity (Sheppard, 1997). According to Feng and colleagues, housing markets are affected by three economic factors, which are: demand, supply and expectation (Feng et al, 2010).

Housing markets are profit driven and the interplay of supply and demand determines what people pay for housing and what they receive for their money (World Bank, 1993). Factors affecting demand for housing include house pricing, rental costs, income levels, and cost of financing among others. Factors influencing supply include cost of building materials, cost of land, and returns. These factors can either increase or decrease demand and supply of housing (Gibb, 2009). Additionally expectation also plays an important role both on supply side and demand side in the formation of housing market cycle (Feng et al, 2010). Since the information is incomplete, market agents usually have adaptive expectations, which means that they form their expectations based on the past experiences which tends to make housing market too optimistic when the market is prosperous and too pessimistic when the market is undergoing depression (Feng et al, 2010). For the formal housing sector, the resolve of property development is usually clear: to make a direct financial profit from the process of development (Cadman & Topping, 1995, p. 12). If there is no profit to be made, it is difficult to convince for profit developers to invest in such projects.

3.3. Housing Theories

The theories which are utilized as the basis for this research theoretical framework are the

- Modern Finance Theory
- Enabling Approach
- Collaborative Approach

Modern Finance Theory (MPT)

According to Wieland (2015) the basic principles of Modern Finance Theory are rooted in modern portfolio theory (MPT), Modigliani and Miller's capital structure irrelevance principle, the capital asset pricing model (CAPM), and the efficient market hypothesis (EMH). (MPT) is one of the most important and influential economics theories that deal with finance and investments (Shodhganga, n.d). Developed by Harry Markowitz, MFT advocates for the saying "don't put all your eggs in one basket" (Markowitz, 1952; Berry, 2002). According to Kierkegaard et al (2006) Markowitz made the assumption that the majority of investors prefer to be careful and wary when investing, thus opting for the smallest risk possible in order to attain the highest possible return, in so doing, optimizing return to the risk ratio. MPT conditions that looking at the anticipated risk and return of one particular stock is not enough and thus advocates for diversity (ibid).

According to Grant (2001,p11) prior to modern portfolio theory, practitioners would often speak of risk and return, but the failure to quantify these important measures made the goal of constructing an optimal portfolio highly subjective and provided no insight about the return investors should

expect. Consequently, modern portfolio theory addresses the issue of the properties of returns from alternative investments vehicles (Gruber, 2003). Here the concept of return is defined in terms of cash flow to the investor plus change in market value (ibid.p1). Nevertheless MFT stems from these concept and is grounded in a number of major assumptions: a) perfect information b) the absence of transaction costs c) rational market participants (Lim et al, 2016).

According to Berry (2002) MFT indicates that diversification across a large range of different financial assets, shares, bonds, property, in all sectors of the economy, maximizes overall financial returns given the overall risks, or alternatively, minimizes risk given overall return. Risk is generally measured by the past unpredictability of the price movements of the asset in question (ibid). Wieland (2015.p118) explains that risk in a well balanced portfolio can be determined by measuring the overall risk against the expected and unexpected returns, and the standard deviation of which determines the total risk. So by investing in more than one stock, an investor can obtain the benefits of diversification, a reduction in the volatility of the whole portfolio (Markowitz, 1959). According to Kierkegaard et al (2006), at the core of this theory is the pursuit of optimizing the relationship between risk and return by combining portfolios of assets determined by their returns, risks, and covariance or correlations with other assets.

In an efficient market, an investor will build a portfolio that has an equal or better return than any other portfolio that has the same overall risk and equal or less risk than other portfolios with the same overall return (Berry, 2002). This is known as an efficient portfolio. The MFT approach thus allows investors to be able to calculate the rate of return that they require to achieve on any particular asset and the price that should be paid for it (ibid). In the end, MFT theory informs that in business of acquiring assets, some assets are more risky to get into and some are less risky to get in to. Regarding investors, they often assess prior to diving into a business venture, which assets are best to invest in and with what percentage of risk and expected returns. According to Berry (2002), investors chose one of two routes, one route is one of certainty, where investors are risk-averse and only build portfolios that mostly consists of risk-free assets, with a small portion of their wealth in risky assets. The second route is one of high risk, where investors prefer risk and thus build portfolios of high risk assets and obtaining little government securities.

These investor are not afraid to lose everything. In risky portfolios, investors tend to require a premium on the rate of return to compensate for the uncertainty of the assets (Berry, 2002). So the MFT approach advocates for the opinion that investors are risk averse, where by when confronted with a business venture that offer a risk-free or risky option with the same expected return, they would opt for less risky option (ibid). Rental housing is regarded as a high risk investment with little returns. Due to the nature rental housing, developers do not start making money, until their units are completed and tenants start moving in. Even then, the capital gains expected are low as rental housing does not stop at providing the unit, but still needs to be well managed, maintained and run. The rent that is charged is used for management purposes and also profit. However, with rental housing profit is made over time and at lower returns than ownership housing. If the MFT approach on investment would be applied in rental housing, an analysis using MFT would reveal that current landlords that do not work with government projects or subsidies would be obtaining small returns on their

investment, with probably most of the returns going to managing their rental stock. This in a way would discourage the private sector from getting involved and thus they would withdraw their investment for more profitable ventures.

This would ultimately lead to a shortage of rental housing, which would mean more demand and housing stress for low income households. The more the demand means that rental fees increase, which automatically translate to an increase in returns for the landlords that are in the rental housing business. However this might also not happen as sometimes local government impose a lot of conditions on rental housing which further discourages the private sector from getting involved, especially commercial and small-scale landlords. For example in 2015, Germany introduced new rent controls in areas like Berlin, Hamburg and Munich known as the rent price brake, aimed at putting a brake on rent rises of as much as 30 or 40 per cent, this is because they want rent to remain affordable for those on average incomes (Koch. 2018).

Enabling Approach

The conceptual framework for understanding the housing sector and responses to addressing low income housing delivery problems by governments and local authorities is entrenched in the neoliberal enabling strategy approach of the World Bank. Dating back to the 1980s, the enabling policies of the World Bank strongly supported a market approach to deliver housing. This approach was brought about by neoliberal thinking which emphasized the decreased of government intervention in most sectors of the economy (Arrighi, 2009; McMichael, 2002). It stressed the importance of appropriate land market regulation and large-scale urban property rights development, including land tenure regularization in informal settlements (Buckley, 2006.p28). Governments were to enable market agents to perform well and they would support the privatisation of housing delivery through market-responsive deregulation (Mukhija, 2004).

This approach was expressed in requisites of a set of comprehensive policy measures for developing the housing sector as a whole through enhancing private market aptitude that would be able to reach a wider sphere of commodity circulation that includes much of the lower income groups (Keivani, 2005). Many countries in the Global South adopted this approach, including South Africa. The core of the policy centers around governments abstaining from direct supply of land for housing to lifting of constraints from private market activity and the treatment of housing as an economic sector tied to the general macroeconomic development (World Bank, 1993). The enabling approach emphasized that governments should be encouraged to implement policies that enable housing markets to work effectively and efficiently (World Bank, 1993). The World Bank's stressed that governments should have a limited role in direct interventions of shelter provision and should instead provide the types of market institutions necessary for enabling to work (World Bank, 1993). This approach reflected the market-led political and practical thinking of the late 1980s, in which now it requires governments to focus on the regulatory framework of land, finance, infrastructure, the construction industry, labour and building materials (World Bank, 1993).

As an approach, it mobilized the full potential and resources of all the actors in the housing production (UN-Habitat, 2004). It treats housing and urban development as a multi-sectoral issue, affected as much by efficiencies and inefficiencies in finance as in the construction industry or land tenure

systems or the regulatory framework (UN-Habitat, 2005.p25). It calls for housing policy environment that's oversees and regulates the sector with the government not supplying housing directly but leaving actual production and delivery of housing to the housing market, in which all actors ranging from large formal sector developers through to artisans and individual households to voluntary community organizations (ibid, 2005.p25).

According to Bond (2005), much of South Africa's nationalism is really neoliberal in nature. South Africa's adoption of the enabling approach to housing policy is embedded on the Housing White Paper of 1994, which was heavily influenced by the outcomes of the 1992 National Housing forum negotiations process about the housing policy. The Housing White Papers specify that the government approach to housing is focused on "harnessing and mobilizing combined resources, efforts and initiatives of communities, the private sector and the state (Department of Housing, 1994). In South Africa, the enabling approach was initiated and implemented through state assistance in the form of a housing subsidy, delivery of basic services to the site and the legal security of tenure (Ngcongco, 2002). Through the introduction of the capital subsidy, the government became in charge of allocating finance and the administration of the subsidies while promoting the effective functioning of the housing markets (MacKay, 1999; Jenkins 1999 in Miraftab, 2004:89-101).

The key strategies adopted as part of the Housing White Papers showed intent by the government to fix the housing environment and rectify the inequalities of the past, these strategies were: to stabilise the housing environment; mobilise the housing credit; provide subsidy assistance; support the enhanced people's housing process; rationalise institutional capacities; facilitate the speedy release and servicing of land; and coordinate government investment in development ((Policy Research Limpopo, 2010; Housing White Paper, 1997). Though the enabling approach has a lot of support, it has also faced a lot of criticism. In the context of South Africa, Patrick Bond states that the neoliberal policies in the post-Apartheid were incapable of lifting the underprivileged black majority, and that the big beneficiaries have been a small elite of black businessmen, many with close ties to the ruling party (Bond 2005:254). Habib (2003.p236), also argues similarly to Bond, stating that the ANC's implementation of neoliberal economic policies has meant disaster for the vast majority of South Africa's poor.

It not only disadvantage them in housing provision but also increasing unemployment and economic inequalities associated with neoliberal policies have also pushed even more of South Africa's population into the poverty trap. Social housing institutions have struggled to provide adequate housing for the majority of low income households especially in the inner-city because they are over capacitated. The dominance of neoliberal policies in urban management and governance within local governments led to the creation of public-private partnerships in the provision of social housing that are struggling to deliver the required social housing output(Nengomasha,2011) .

Collaborative Planning Approach

In order to explore and find different ways to realise the provision of affordable housing for low income households, collaborative planning is becoming very important, because of its potential networking and partnership formation to solving complex problems. According to Brand and Gaffikin, collaborative planning as an inclusive dialogic approach to shaping social space appears to accord with certain features of contemporary society (Brand & Gaffikin, 2007.p283). These incorporate the

supposed shift to new modes of governance that recognize the need to involve multiple stakeholders; the interchange among these stakeholders, supportive of a creative environment for the changing economy and the increasing hegemony of neoliberalism that some view as dismantling divisions between state and market to accommodate new synergistic partnerships (Brand & Gaffikin, 2007, p.283). Innes and Booher observe that 'collaborative planning is moving forward and spreading as a method' (2003: 24). The collaborative planning theory is located at the intersection of communicative approaches to planning and new institutionalist theory (Healey, 1997b).

Healey (2006) incorporates inspirations from Habermas' (1984) rational critical discourse theory with contributions from communicative planning theory (Forester, 1989) to showcase how collaborative planning should work ideally, with planners aiming for increased interaction between stakeholders to be free from domination and restriction of participation in the process of collaborative consensus building. The approach starts with the assumption that all meaning is socially constructed, and that the ways of thinking are embedded socially (Healey, 1997b). The significance and implication for practice is the understanding and comprehension that public policies concerned with managing co-existence in shared spaces need to draw upon, and spread ownership of the different forms of local knowledge and reasoning that exist in a community (Healey, 1997b). The collaborative planning approach views the delivery of affordable housing as a collective effort from all sectors of the spectrum.

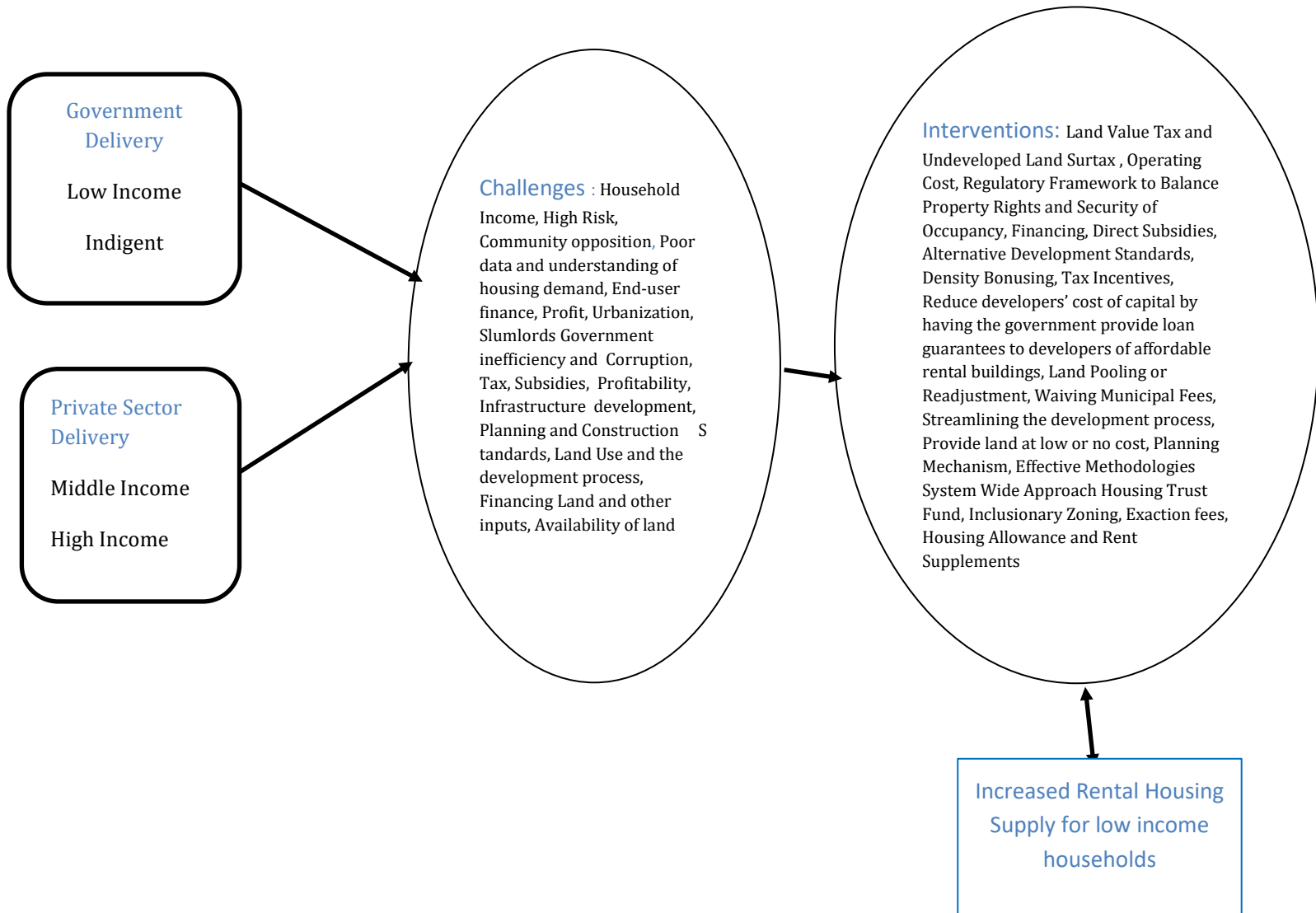
According to Purbani (2017, p.136) collaborative planning is a new paradigm of planning for a complex contemporary society which usually mediates conflicts between parties through consensus-building processes. It encourages people to be engaged in a dialogue in a situation of equal empowerment and shared information, to learn new ideas through mutual understanding, to create innovative outcomes and to build institutional capacity (Innes and Booher, 2004; Healey, 2006 quoted in Purbani 2017). Healey further states that collaborative planning theory can be understood as "a governance activity occurring in complex and dynamic institutional environments, shaped by wider economic, social and environmental forces that structure, but do not determine, specific interactions" (Healey, 2003, p. 104). Collaborative planning offers a problem solving solution to complex problems that incorporates all stakeholders involved in the process, it brings them together to the table to discuss how best to tackle a certain issue.

It focuses on organizing different stakeholders to come together. Healey's argument on collaborative planning theory is that all planning activity involves some interactive relation, and some kind of governance process (Healey, 2003). This approach is relevant because in order to tackle the shortage of affordable low income housing, different stakeholders must come together, for example the public sector, private sector, civil society, NGO's and the communities at large, they must come together and discuss the best way forward.

3.4. Conceptual Framework

The aim of this research is to investigate what tools can be used to motivate and encourage the private sector into providing and delivering affordable rental housing for low-income households at the income level that they can afford in the City of Johannesburg. The conceptual framework diagrams below depicts the current relationship in housing provision between the government and the private sector. It also shows the challenges faced by the private sector and the strategies that could be

implemented to improve the delivery of affordable housing for low income households. It is impossible to know which combination of strategies would work best together to fix the low income affordable housing supply, but it is worth noting that there are intervention out there that could be implemented that could have a positive impact.



3.5. Summary

This section of this research paper provided the theoretical underpinning that can be found in housing study to give a scientific analysis of the way housing markets and sector work and function. It provided a summary of the economic interpretation of housing and housing as a commodity, this was followed by a review of the Modern Finance Theory, the Enabling Approach and the Collaborative Approach to housing provision. Also, it gave a conceptual model of the how the housing system model could work.

Chapter 4

Study Area and Research Methodology

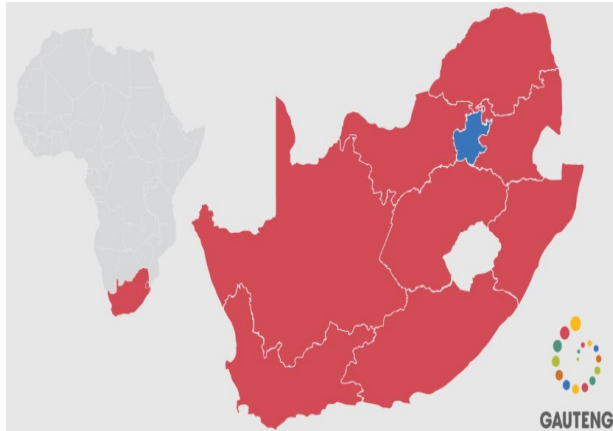
This section of the thesis lays out what the research is about, how the data is collected, analyzed and implemented. It will provide a discussion about the way this study was designed, who was interviewed and what criteria was used to find the respondents. It will also provide insight into the data collection methods, instruments used to gather the data, and thus present how the data was analysed. This research aims to investigate “what can motivate the private sector to supply more affordable rental housing for low income households(deep down market)? Chapter provides an introduction to the study and a brief background of the problem. Chapter 2 mentioned and discussed the background of affordable housing, it’s challenges and opportunities. It also provided a lot of background information related to low income housing in South Africa and the housing policy and legislative measures that have been undertaken so far, their strong points and weak points.

The literature indicates the problems that have hinder the delivery of more affordable housing and rental units and also provides strategies that have been used around the world to combat the problem of housing. Chapter 3 focused on the theoretical and conceptual framework of this study. It also looked to housing theories to better inform the study. It focused on modern finance theory, the enabling approach and looked for further insight from the collaborative approach. This chapter will discuss the research methodology used in this study. A number of respondents were approached and interviewed with the goal of using their responses to answer the research question and sub-question asked in the first charter of this thesis.

4.1. The research area

The City of Johannesburg is situated in the province of Gauteng. Johannesburg is the “smallest, yet most urbanized and economically powerful province of South Africa. It contributes to about 40% of the South African Gross Domestic Product (GDP)” (South African Cities Network, 2006, p.9). Gauteng province is also the most populous province with a population of approximately up to 14,7 million people by 2015, with the city of Johannesburg accounting for about 4.4 million of those people(ibid). Johannesburg occupies about 1 644 km² land area in coverage, making it one of the highest concentrations of people, economic activities, and poverty in the country (CoJ IDP, 2016/17). “Over the last 15 to 20 years, the city of Johannesburg has become one of the main destination for migrants from rural South Africa, the Southern African region and the African continent” at large (South African Cities Network, 2006, p.9).

Figure 6: Location of Gauteng Province



Source: Gauteng.net, 2018.

Figure 7: Regions of Gauteng Province



Source: Gauteng Water Services Information

Figure 8: The Johannesburg Metropolitan Area



Source: Municipalities.co.za

4.1.1 Migration and population growth

The inner city of Johannesburg remains the core historical business node within the city, notwithstanding the periods of economic 'boom and bust' that it has endured (Ahmad et al, 2010.p5). Since the end of apartheid, central districts such as Doornfontein, Braamfontein, Hillbrow and Berea have become a favored home and destination for black job-seekers from within and beyond the national borders of South Africa(Ahmad et al, 2010.p5). Many South Africans and African immigrants

move to Johannesburg in order to find better job opportunities. The relatively high unemployment rate and low skills base of much of the population in the inner city has altered the socioeconomic dynamics of the inner city (Ahmad et al, 2010.p5). Proper, modest and adequate living conditions are scarce. Due to the lack of low income and shortage of social housing, nearly 40% of households in the inner city of Johannesburg live in slum like conditions, and very low income people is hugely neglected in the regeneration of South African cities (Tissington, 2013).

For the purpose of this thesis, the main inner-city area can be seen in the map below. The rationale behind choosing the areas below as part of the inner-city is because of the preferred location of most migrants and businesses in the city. For most people working in the inner-city, living in these areas is still within reach of either by foot or by a short inexpensive taxi or bus ride as compared to the township areas which are usually located about some 20 kilometres outside of the city centre, costing a lot in terms of transportation and fares. Living in these areas would help people contribute to their savings, food money, transport and slowly but surely building themselves up out of bad situations.

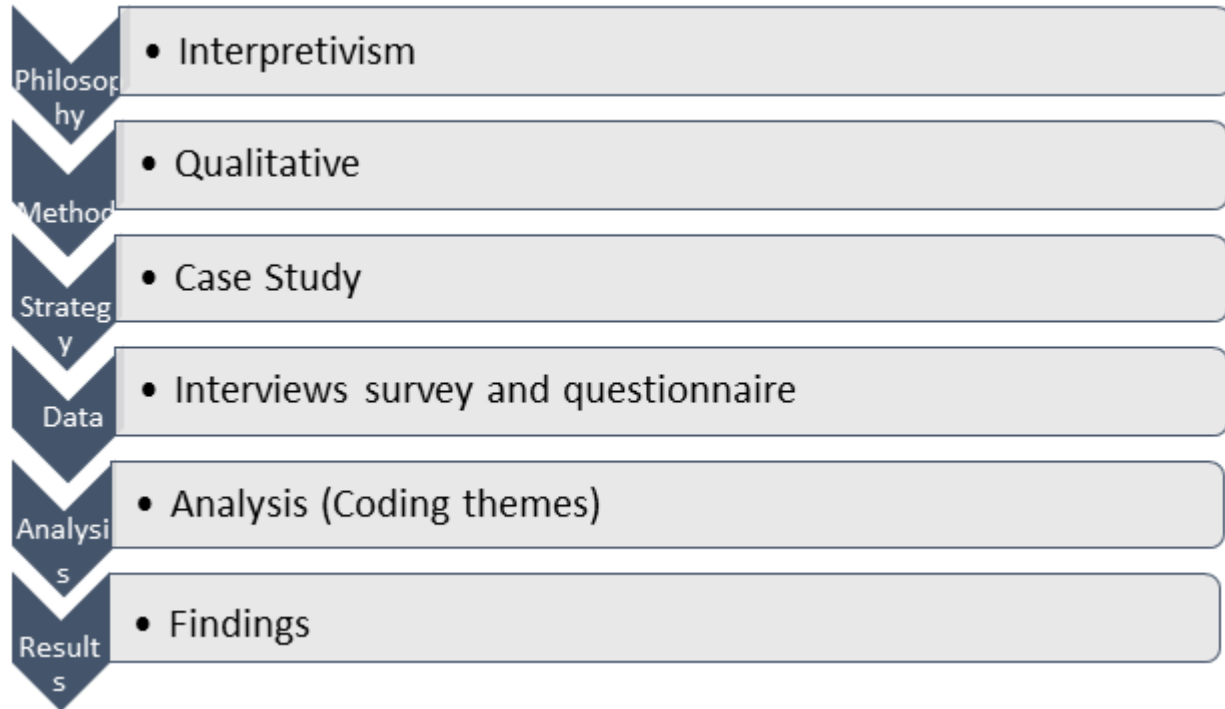
Figure 9: The Johannesburg Inner-City



Source: City of Johannesburg Metropolitan Municipality

4.2. Research Design

Figure 10: Visual Illustration of the research methodology



Source: Researcher's own diagram

This research study was conducted using qualitative research methods. Qualitative research is an approach for exploring and understanding the meaning individuals or groups ascribe to a social or human problem. It is concerned with developing explanations of social phenomena (Hancock et al, 2009). Creswell mentions that qualitative research is largely inductive, with the inquirer generating meaning from the data collected in the field (Creswell, 2003.p9). According to Hennink and colleagues, qualitative research allows you to examine people's experiences in detail, by using specific set of research methods such as in-depth interviews, focus group discussions, observation, content analysis, visual methods and life histories or biographies (Hennink, 2011.p8). The issues one identifies in qualitative research allows for the perspective of your study participants and understand the meaning and interpretation they give to behaviors, events or objects (Hennink, 2011.p8). Qualitative research has different methods for conducting a study and they include: case studies, narrative research, grounded theory, ethnography, and phenomenological (Leedy and Ormrod, 2001; Creswell, 2006). This study has chosen the case study method, which involves the study of an issue explored through one or more cases within a bounded system (Creswell, 2006).

It is both descriptive and exploratory in nature. Descriptive in that some part of the research aimed at obtaining information on current state of phenomena and thus sets out to provide an accurate profile of situations, people or events (Rahi, 2017). Additionally, reporting on the current situation of housing in the inner-city is done through a descriptive nature (Hennink, 2011.p8). The study is also

exploratory, in that the study conducted also seeks insight into the general nature of a problem area, the possible decision choices and applicable variable that can be considered (Rahi, 2017; Hair et al, 2003). Researching and finding solutions to a problem does not guarantee that the problem would be fixed. Through literature, this research found a lot of strategies that could be used to improve the delivery of low income housing by the private sector.

This study in particular applies a deductive approach as the method of investigation begins with the general and ends with a specific. Creswell and Plano Clark (2007.p23) states that the deductive approach works from the 'top down', from a theory to hypotheses to data to add to or contradict the theory. The research starts with a literature review and background information about affordable housing, housing markets, concepts associated with the private sector and the house building industry, challenges and possible strategies to solve the problems. Furthermore, from this broad information, this research tries to narrow down the study to a specific sector. In this case, that is how can private sector developers be motivated enough to deliver cheaper affordable housing to low income households in the city of Johannesburg.

In terms of the research philosophy, this study also adopts the interpretivist approach. Interpretivism implements an approach to acquire knowledge by developing an understanding of phenomena through deep-level investigation and analysis of those phenomena (McManus et al, 2017). In the beginning of this research, the study conducted a detailed literature review for the obligatory background information on the topic of study. After that, the researcher went to the field and empirical data was collected in the City of Johannesburg. The literature review was then combined with semi-structured interviews from the field work.

Prior to the collection of data, a research design needed to be adopted for this study. According to Creswell, research designs are types of inquiry with in qualitative, quantitative, and mixed methods approaches that provide specific direction for procedures in a research design (Creswell, 2014). A case study was selected as the best way of conducting this research. According to Crowe and colleagues (2011), a case study approach allows in-depth, multi-faceted explorations of complex issues in their real-life settings. The case study approach is particularly useful to employ when there is a need to obtain an in-depth appreciation of an issue, event or phenomenon of interest, in its natural real-life context (Crowe et al, 2011. p1). According to Yin, case studies can be used to *explain*, *describe* or *explore* events or phenomena in the everyday contexts in which they occur (Yin, 2009).

A case study approach does well to capturing information on more explanatory 'how', 'what' and 'why' questions, and can offer additional insights into *what* gaps exist in its delivery or *why* one implementation strategy might be chosen over another context (Crowe et al, 2011. p1). A case study approach meant looking at the stakeholders involved in the provision of housing in the City of Johannesburg.

The primary investigation and research question for the study is:

- *How can the private sector be motivated and encouraged to provide affordable rental housing for low-income households (deep down market) at the income level that they can afford?*

Sub-questions

- Who are the local housing providers? And what is the criteria for accessing rental housing in the Johannesburg inner-city?
- What are the main barriers encountered in the provision of affordable housing in the city of Johannesburg?
- What possible strategies and opportunities exist for private sector participation in low income affordable housing?
- What collaborative partnerships can stimulate the rapid delivery of cheaper *affordable housing*?

The main goal of these questions is to discover how the private sector can be motivated and encouraged to deliver more housing for the deep down market. Currently the strategies and policies employed have struggled to remedy the problem of low income housing in the inner-city of Johannesburg. The research looked to private developers, social housing institutions, urban planners and academic researchers for input as to what could be done to create an environment and build or provide housing adequate for low income people to live in, in the inner-city.

A case study approach was chosen as a method of study for this research. The reason being that housing problems are very broad and they differ in terms of context and problems. The case study approach allows for deep insight, multi-faceted explorations of complex issues in their real-life settings (Crowe et al, 2011). Though it is widely used on research, case studies have also faced a number of criticism. One of the criticism is that it lacks scientific rigour and provides little basis for generalization (Crowe et al, 2011). Case study researchers struggle to persuade their readers of the rigour and contribution of their research (Siggelkow, 2007). Almeida (2017) states that using a case study approach is sometimes difficult to establish cause-effect connections in your study, thus making it hard to generalize from a small number of case studies. When generalizability cannot be achieved, reliability and validity can be increased by triangulation so as to improve the quality and credibility of your research. Triangulation is defined as the mixing of data or methods so that diverse viewpoints shed light upon a topic and this is often thought to help in validating the claims that might arise from the study (Olsen, 2004).

In a case study, triangulation is ensured as various sources of research information are studied and examined; interviews are conducted with various housing provider stakeholders, planners, research academic and then interviews results are scrutinized. The information sources for this study were sourced from one on one interviews and a number of questionnaires. Private Developers, Social Housing Institutions, Urban planners, Academic Researchers, NGO's formed part of the interviewees for this study. Additionally plans, legislation and regulations also formed relevant sources of information, especially with regard to the housing policies and legislations. In order to achieve the objectives of this research study, both primary and secondary data were used. Primary data are information collected by the actual researcher specifically for the research problem at hand, using procedures that fit the research problem best, new data is then added to the existing body of social knowledge (Hox and Boeijs, 2005.p523-594). Secondary data consists of information or data

collected by other researchers, so existing data relevant to the research problem at hand (Hox and Boeijs, 2005.p523-594). Secondary data will be used toward the formation of background information and literature review, needed by both the researcher in order to build constructively the project and the reader to comprehend more thoroughly the survey outcome.

Primary data was collected using an interviews questionnaire with private developers, urban planners, academic researchers, NGO and local people. According to Kvale, interviews are more powerful in eliciting narrative data that allows researchers to investigate people's views in greater depth than questionnaires (Kvale, 1996; 2003). Cohen and colleagues believe that interviewing is a valuable method for exploring the construction and negotiation of meanings in a natural setting (Cohen et al, 2007: 29). And secondary data was collected through the existing body of literature. The secondary data provided a clear background picture of the problems relating to housing provision and what has been done so far. It was also utilized to support the collected primary data.

This research chose the inner-City of Johannesburg as its study area. It is essential to mention, as to what extent can the case being scrutinized provides the information that is required for the research. The Inner-city of Johannesburg was chosen because even though a lot of policy and legislations have been passed and implemented, and government has contributed a lot of money to housing provision, the increase in the delivery of cheaper and more affordable housing has not increased, thus lacking behind. Regardless of the fact that the government has taken a facilitating role to the development and production of housing, the private sector has not responded with enthusiasm regarding low income housing. Hence this study is investigating how it could be made possible. Consequently, stakeholder operating in the inner-city of Johannesburg were chosen, social housing institutions located in the inner-city were also contacted, together with urban planner that work in the city, academic researchers at the local university, NGO's that work in the area.

4.3. Population and Sampling

A widely used technique in qualitative research for the identification and selection of information-rich cases for the most effective use of limited resources is purposeful sampling (Patton, 2002). According to Creswell (2014), the idea behind qualitative research is to purposefully choose respondents or sites that will best aid the researcher to understand the problem and the research question. Patton states that the logic and power of purposeful sampling lie in selecting information-rich cases for in-depth study. Information-rich cases are those from which one can learn a great deal about issues of central importance to the purpose of the inquiry (Patton, 2015). Studying information-rich cases yields insights and in-depth understanding (ibid, p. 264). In purposeful sampling, the researcher decides what needs to be known and sets out to find people who can and are willing to provide the information by virtue of knowledge or experience (Bernard, 2002).

In gathering data for this research study, the researcher made the decision to contact multiple stakeholders experts that are involved in housing provision in the inner-city of Johannesburg. Private developers were the main focus of the study, even though a number of well educated and knowledgeable participants were also contacted. private developers working and servicing affordable housing in the inner-city of Johannesburg. Also the municipality and social housing

institutions operating in the city were contacted. Another group of possible interviewee was contacted, which were urban planners that have worked on housing projects in the city and also work with government on some projects. NGO's that work with displaced or evicted people in the inner-city were also contacted. Additionally, financing institutions and architects that work in the city were also contacted to be part of the study. The researcher felt that using multiple sources for data would enrich the study and find valuable insights from different perspectives.

Initially a lot of private developers declined to take part in this project, citing time and other commitments. Some social housing institutions who had initially agreed to take part in the research also declined in the end. This research then decided to stick to the interviewees that had responded and set up appointments with them. This research only managed to do about 15 interviews in total. The participants of the study were found using a couple of strategies. The first strategy was to use the internet. Google and Yahoo search engines were utilized and looking through the search results a number of websites came up with social housing institutions and affordable housing companies. Those websites were used to gather emails and phone numbers to call the companies and request for their participation in the study. Secondly, through literature review readings, a number of prominent academic researchers kept on coming up as most people who were doing a lot of research on housing issues in the Johannesburg area, so through Google search, their contact details were utilized to send emails.

Snowball sampling was used in a number of occasions. Snowball sampling is when one participants in a study refers the researcher to more participants that could be useful to that respective research (Bhattacharjee, 2012). Through an interview with one professor, an organization that represents affordable housing developers (JPOMA and SAPOA) was suggested to the researcher. Also through some of the interviews with developers and social housing institutions, these respondents were more than willing to suggest companies they know about and worked with that would be willing to help in this research study. Though the some stakeholders were not interviewed in the end, the following stakeholders were targeted as they were deemed expert and knowledgeable about the problems regarding low income housing:

- Big commercial private developers
- Small-scale landlords
- Social Institutions
- Financing Institutions
- Urban Planners and Architects
- Local government offices
- Academics

These people were deemed the most knowledgeable about the housing supply in the city of Johannesburg. Selecting a diverse group of participants meant that results from the interviews could be compared and matched against each other, increasing the reliability and credibility of the study.

4.3.1 Research Participants

In this section, a table showcasing the profile of the research participants of the study is provided. Most of the respondents were asked to identify themselves, their company, and what their connections were to the housing development industry. In the participant consent form, participants were asked if they wanted to remain anonymous. Some of the research participants chose the option of staying anonymous for the purpose of this study due to the protection of their companies and business. So in order to protect all the participants, only the category, participant position and type of institution is provided to give an idea of the field and sector they are in, in the housing industry.

Category	Participant Position	Type of Institution
Company 1	Director	For-profit
Company 2	Managing Director	For-profit
Company 3	CFO and Executive Director	Social + for-profit
Company 4	Property Entrepreneur	For-profit /Commercial
Planner	Development Planner	Urban planner
Architect	Architectural urbanism	Spatial Planning & Justice
Finance Institution	Dev. Impact Consultant	Financial Investment
Social Housing 1	General Manager	Social Housing Expert
Social Housing 2	Capacity Dev. Advisor	Social Housing Expert
Academic 1	Research Academic	Research
Legal Institution/Academic 2	Re. Academic/Litigator	Research/Housing Equity/NGO
Small –scale landlord 1	Public Servant	For profit landlord
Small –scale landlord 2	Small –scale landlord	For profit landlord
Small –scale landlord 3	Small –scale landlord	For profit landlord
Small –scale landlord 4	Small –scale landlord	For profit landlord
Small –scale landlord 5	Entrepreneur	For profit landlord
Small –scale landlord 6	Company	For profit landlord

Table 10: Interview Participant Profiles and information

4.4. Data Collection

To facilitate thorough understanding of the case, the case study approach involves the collection of various sources of data, using a variety of techniques such as questionnaires and interviews. Burns and Grove stipulate that data collection is the precise, systematic gathering of information relevant to the research problem, using different methods like interviews, participant observation, focus group discussions, narratives and case histories (Burns and Grove, 2003.p373). As previously stated, for validating one's research, data triangulation is also advised as a way of increasing the internal validity of a study (Stake, 1995). For the study purpose both primary and secondary data are used

4.4.1. Interviews

The primary data gathered in this thesis research was collected through conversational interviews and open ended questions. Also a survey was used with small-scale landlords. Interviews are widely used as a data collection tool in qualitative research and typically used as a strategy to gather information about participant's experiences, views, and beliefs regarding the research question or phenomenon (Lambert and Loisel, 2007). Interviews provide a useful way for researchers to learn about the world of others (Qu and Dumay, 2013).

The interviews for this research study were conducted with various stakeholders involved in the planning and housing development industry in the inner-city of Johannesburg. After conducting a lot of research on Google about potential companies and individuals who could take part in this study, emails were sent out to companies, planners, NGO's and academic researchers to source out interviews in these organizations that have experience with affordable housing in the inner-city. Most of the emails that were sent out were sent directly to the information or secretaries of the companies and offices. Most of those secretaries either forwarded those emails to the relevant person or advised the researcher to send an email directly to a different email of which in most cases they provided. Trying to secure an interview with anyone from the Johannesburg local municipality and offices turned out to be a fruitless adventure. Though the correspondence was promising, for some unknown reason, in the end I was not able to secure an interview with them.

In the end, it was not an easy task to secure interviews. Some companies were unresponsive as previously stated, some companies were promising while in communication, however when I was ready to conduct the interviews they became unresponsive. Needless to say, securing interviews became a challenge. However, with a few that did respond to the initial email, further communication took place. After contact was made with a number of possible interviewees, most participants were sent an email explaining what the research was about and what possible questions could be asked. At that stage, questions to be asked were not yet finalized. Most of the participants were informed of possible ethical questions before the beginning of the interview, however due to the fact that some interviews took place via online networks like skype, whatsapp and facebook.

Some of the participants that were interviewed face to face were given a consent form with to fill in relation to confidentiality and if the interview can be used in this research. For these participants, they were asked to fill in the form, choose the relevant boxes that applied to them and gave the forms back. However for many other participants that were interviewed online, these forms were emailed to the participants and then emailed them back once they had been filled in. The participant

information and consent sheet can be seen in Appendix. Furthermore, there were participants who preferred to have a questionnaire version of the interview sent to them because they were unable to schedule an interview due to their busy schedules. So a questionnaire and an information sheet were sent to them. These can be found in the Appendix section. Arrangements were discussed and made for possible time, date and location of the interviews with the participants.

Interviews mostly took place in the offices of the company's or online via skype call and whatsapp. 4 interviews were face to face, 5 interviews were via online video call, and 7 interviewees were sent a questionnaire via email. The disadvantage with sending the questionnaire via email was that it was not possible to ask follow up questions there and then. Also another disadvantage with online interviews is that sometime the connection is not that great. And that is exactly what happened with the online interviews; they experienced a few problems with connection, either from my side here in the Netherlands or on their side in South Africa. In a few cases, audio connection broke or the voices started breaking. To resolve this issue, in most case I asked for a repeat of the last said sentences from the participants.

The estimated length of the interviews was 30 minutes minimum time per interview to a maximum of 1 hour. However, due to the semi-structuredness of the interview, some interviews took longer than expected. After the interviews were recorded and completed, they were transcribed and interpreted. The transcriptions of the interviews took a long time because some of the interviews were longer than expected. These transcriptions were stored in my personal laptop and USB drive. These transcriptions however are not included in this report due to confidentiality purposes; however they are included in the submission of this study to the Radboud University as part of the project. I also kept a notebook to write down notes during my interviews and suggestions I was being given.

Participant's responses were then coded to discover the themes that emerged within the transcripts of the interviews. The coding process of these interviews was conducted using google docs and manually handwritten notes. The first part of the analysis of data took place when all the transcripts were uploaded on the google drive. I read through all the transcripts individually at first, making casual notes and comments of ideas that seemed relevant to this research. After this first step was completed, a second coding session was conducted, with more attention paid to the text. As a result, this session of coding ended with many coded phrases and sentences. The third part of this process involved picking out themes and assigning the coded to a particular theme. Following this process, all the themes were put next to the research question and sub-questions in order to make sense of the data and what the study found. Relevant themes were chosen and will thus be presented here in this finding result section.

4.4.2. Literature Documents

Regarding the secondary data, a lot of information was collected using previously published literature. These documents included books, journal articles, reports, policy documents and legislations and online website. This data was used to form a background of the literature review section, but also to fill in on information that was not obtained during the interview sessions.

4.5. Data Analysis

According to Flick (2013), data analysis is the central step in qualitative research. Qualitative data analysis can be explained as the process of making sense of the data obtained from research participants' views and opinions of situations, corresponding patterns, themes, categories and regular similarities" (Cohen et al., 2007:461). What makes a study qualitative is that it usually relies on inductive reasoning processes to interpret and structure the meanings that can be derived from data (Thorne, 2008). According to Cohen, qualitative data analysis entails organizing, accounting for and explaining the data. Analysis of data in a research project involves summarising the mass of data collected and presenting the results in a way that communicates the most important features (Hancock et al, 2009).

Creswell states that once data is collected, the next steps are transcribing interviews, scanning material, tying up field notes and arranging the into different types, after that the next step would be to provide a general sense of the information and take the chance to reflect on its overall meaning, further stating that the analysis process should also be reflexive, including the researcher's interactional experience with interviews (Creswell, 2009). And that this should be followed by the organization of data into its categories (Creswell, 2014.p197). Gibbs further mentions that qualitative data analysis is a process of transformation of collected qualitative data, done by means of analytic procedures, into a clear, understandable, insightful, trustworthy and even original analysis(Gibbs, 2007:vol. 6: 1). The first step in qualitative analysis is to develop thorough and comprehensive descriptions of the phenomenon under study.

After the transcription of the audio recordings using Google doc, the data was read and studied carefully. Notes and comments were made on every paragraph of the transcript, so as to better organize it after this process. The data was described and themed using one letter words or phrases. After this process, the notes and comments were analyzed and looked at against the research question. This process was done in order to classify the data and put it into categories. Using the research questions, themes were assigned to the categories that were relevant to the questions of the study. All the relevant data was taken to be compared and connected. The data was then reduced from big chunks of information into smaller summaries that were relevant to the questions of this research. Specific quotes from the data to be used in the result section were highlighted.

4.6. Ethical Consideration

According to Anne Scott (2013), in the context of research activity the principle of respect for persons is frequently articulated in terms of rights both rights to autonomous participation and welfare rights that is, the right to have one's support and protection needs respected. Ethical consideration is very important in a research study especially for the protection of your participants. In this study, great care was taken to obtain consent from participants. Fouka and Mantzorou (2011.p4), mention that informed consent is the major ethical issue in conducting research and it is one of the means by which a patient's right to autonomy is protected. Participants were given a thorough introduction about the study and what it entails. Before recording, every participant was asked for permission to record and informed of their contribution to the study. Participants were also informed about the anonymity and confidentiality of their participation in this study. Also participants were made aware of their right

to withdraw from the study at any point, if they so wish. The letter of consent can be found in the Appendix.

4.7. Limitations of the study

The study would have liked to have included more interviews from for profit developers, from the municipality of Johannesburg and from the local people on the ground. However, due to time constraints and lack of finances to prolong field research and data gathering, the participants found for this research were taken as knowledgeable informants and representatives to inform the study.

Chapter 5

This chapter presents the research finding collected during the fieldwork period of this study. The main reason for this section is to answer the question of “what did I find during the fieldwork part of the study and what does the empirical data collected say about the issues presented.” The interviews and surveys were carried out in the different times of this study. The interview participants included 4 private sector developers, 6 small-scale landlords, 1 urban planners and 1 architect, 2 research academics, 2 social housing institute experts, and 1 financial lending institution. The logic behind the diverse participants in the study was to get a clearer understanding of the idiosyncrasies and difficulties of the development and delivery of affordable housing for low income households in the City of Johannesburg from multiple actors and research experts that are involved in the housing industry.

As stated previously, analysing the data was crucial in the journey to finding the answer to the research question and subquestions. The sub-questions of the research study were used as a guide to finding the relevant themes of the study. Empirical data was assessed, analyzed and examined to identify, describe and explore how the private sector could be enticed to provide more affordable housing supply for low income households at the level that they can afford and what the challenges are in this regard. The analysis of interviews, surveys and the evaluation of the literature on affordable housing and the background to South Africa’s housing policies and plans, will give a clear indication of where the private sector can be motivated to provide more affordable housing for low income households and what that set up looks like.

5.1. Empirical Findings

Through the collection of empirical data, a number of imperative ideas and opinion about the struggles encountered in the supply of affordable housing in Johannesburg were expressed by the participants in the study. The interviews mostly consisted of about 30 questions that were semi structured. In a case where more elaboration was needed, more questions were asked. The survey for small-scale landlords consisted of about 45 questions. The first couple of questions were basic questions directed at getting to know the participants and the company they were in. The following questions after were focused on extracting information about the delivery of housing in the inner-city of Johannesburg, the challenges and the potential opportunities and solutions.

These questions required more detailed answers and explanations regarding the participant’s views on affordable housing development and delivery in Johannesburg. The estimated length of the interviews was 30 minutes, however from the onset of the interviews this time was exceeded as some participants had a lot to say. After the first interview, the time was adjusted and left flexible. This was communicated to the participants, nevertheless the time for interviews could’ve been controlled better, however it was also useful to do the interviews this way as it allowed the researcher to collect more information out of the participants. The length of some of interview did make transcribing a very big challenge, which delayed the writing process of this thesis. Analyzing the surveys proved a

lot easier as qualtrics software was able to capture the data in an efficient way, while the researcher only had to organize it in a meaningful manner.

Additionally, another aspect of this research that proved challenging obtaining more interviews. This was true for many big developers in the inner-city and also for municipal officials at the city's housing department. Most developers that were contacted and did not take part in the study stated conflict and busy schedules, some stated not being part of or developing affordable housing, while the majority just ceased to respond. A number of municipal officials were responded positively to the interviews, however during the course of my fieldwork they stopped responding to emails. Consequently, this study's result does not include the input from the municipal government office. However, one of the urban planners who works with a lot of government initiative was more than happy to contribute to this study.

5.2. Research Findings and analysis

As mentioned previously, the empirical data collection involved interviews and survey from involved informants in the housing development industry of Johannesburg. The relevant results are stated in the section below. The themes that arose in the data are as follows:

5.2.1 Affordable housing and the target market

“There is no such thing as free housing”

During the interviews, the participants stated that it is very difficult to be in the house building industry when one is not making any returns, in terms of recouping capital cost, let alone making a profit. Most of the participants mentioned that even though the demand for low income housing is very high in the inner-city of Johannesburg, in order for affordable housing to work for low income households, *“someone needs to pay for it.”* If the end-users are unable, then government or some outside funding is needed. Most of the participants were in full agreement with this sentiment, with one participant even stating that *“there is no such thing as free housing.”*

The majority of the affordable housing being provided currently in the inner-city is targeted at the middle segment of the income band, with the exception of social housing units and CRU. The participants indicated that the housing provided by their companies caters to households who are able to pay rent, for social housing institutions, the rent amount starts around R700 (\$50) on the very low side, and R2 000 – R5 000 (\$142-\$355) a month on the higher end from the private market. The cheapest rentals are units that are provided by mostly social housing institutions with some government funding assistance. These units typically have communal ablutions, kitchen, living room, laundry area with the tenants having their private bedroom. For households who can afford a little more rent, self-contained units of 1 or 2 bedroom apartments are available.

These apartment type units are relatively more expensive, ranging around R2 000 (\$142) and up. 3 out of the 4 housing provider cater to the latter, in terms of rentals, because as a number of developers explained, at the end of the day *“developers need to make money.”* One developer stated that if one would charge less than R2000 (\$142), *“you can't make a return on a rent of a R1000 (\$71), if you are running a kitchen and a bathroom,”* meaning that if a bathroom and kitchen were included to each

unit individually, the cost of running those units is higher. Another participant mentioned that *“if you’re going to manage the housing stock well for the people on low income, that would cost in the region of R1100 (\$78) to 1300(\$92) per month just for the management, with no capital repayment or profit.”*

From small-scale landlords, they indicated that they cater to a target market that ranges between R1200 (\$85) – R3000 (\$212) the former being the average. Most of the units offered by these small-scale landlords are backyard rooms that they acquired when they originally bought the house. So most of the time, they are not used, hence they decide to rent them out to people. When asked why they made the choice to rent out their backyard room, the participants stated a number of reasons; however the popular answer was to make extra money and also seeing that the demand is so high for rental accommodation, especially because of students. Additionally, these landlords mentioned that their tenants range from one person to a family.

5.2.3 Perceptions of the private sectors involvement in affordable housing

As mentioned in the literature review in Chapter 2, the private sector is known for its profit driven nature towards housing development. Consequently that narrative has resulted in the conclusion that, since the private sector is after profit, it can only provide housing for the upper middle and high income households. Although the study didn’t focus or discuss in detail the perception of private sector involvement in affordable housing for low income households, some participants believed that it was important that the private sector got involved. Some respondents believed that the government alone, in the context of South Africa, was never going to be able to solve the housing problem alone. One participant exclaimed, *I think everybody has got to help to try and find a solution, I don't find it particularly helpful when some people will say that the state must provide state rental housing because I think there are a lot of problems with that suggestion, the government hasn't been good in providing rental housing, It hasn't been good in managing it and it has lost control of its own local authority rental stock, its not able to collect rent and so there's huge issues with that.*

Developers in this study, both for-profit and nonprofit, didn’t particularly object to being involved in affordable housing, however they emphasized government incentives, collaborations and funding as crucial to entice participation. They thought it was possible to provide affordable rental housing to low income households granted all delivery systems, approvals, funding within the projects work efficiently with each other. Nevertheless, there was also opposition to this idea, one participant disagreed with private sector affordable rental housing, stating that *the involvement of the private sector is not the solution to the provision of housing for low-income households because primarily private investors and developers are profit driven so their involvement would largely be how can I make a profit and the low-income households should not be their target market, we think that the municipality needs to play a much bigger role there which is something they are quite reluctant or unwilling to do at this moment.*

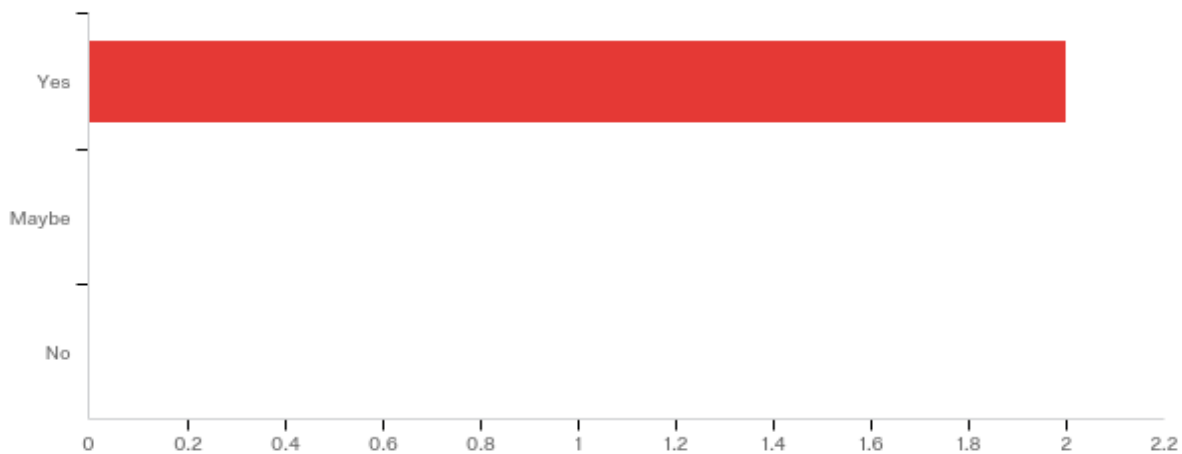
5.2.4 Eligibility

In order to be an eligible and meet the criteria to be tenant, both the for-profit and nonprofit development companies pointed out that for them to accept households as tenants, households salaries have to fall under a certain income bracket (see chapter 2). Also tenants must undergo a

vetting process of credit checks and employment history. These are paramount to gaining access to a rental unit as people need to prove that they can afford their monthly rental and are able to pay. The developers in the study cited bad experiences with past tenants who were unable to pay their rent due to lack of finances and according to respondents impacts negatively on the management and operating of these buildings. According to the participants, conducting a credit check and employment is an indicator that the tenants are capable of paying their rent without any problems. One of the developers mentioned that *“we’ve got a lot of people that apply for accommodation but don’t qualify because of bad credits scores so they are unaccepted.”*

The eligibility criterion from small-scale landlords is different and slightly more relaxed than that of the big companies. These landlords indicated that they do not conduct credit check or work information, but they do inquire from the interested tenant. For these landlords, what is important is that the tenant pays rent at the end of the month, where he gets the money is often not too concerning. Even when they do not have a job, they can still get a room. All six participants indicated that they do still give a person or households the room regardless of job status.

If the person does not have a job, do you give them the room anyways?



Nevertheless, these requirement pose challenges for foreign residence of the inner-city. One interviewee commented that most people that currently live in the *hijacked buildings in the inner-city are undocumented migrants, they got no idea most of these buildings are not complying with the city health and safety bylaws, from what I know a lot of them are undocumented foreigners so it’s a challenging topic.* Also as stated in parts of the literature, most South African and migrants alike in the inner-city also have informal income, so with undocumented migrants and informal jobs, these pose a challenge to getting these people housed in adequate housing.

5.3. The housing providers in the Johannesburg Inner-city

There is a big number of housing providers in the inner-city. From the interviews and through the literature review, the most identified stakeholders in the supply of housing in the inner-city of Johannesburg are the government, social housing institutions and the private sector. The private sector includes big commercial developers that cater to high and middle income earners and a small

developers who cater to low income households. Also the private sector includes small-scale landlords who are providing backyard rooms, shared spaces and garage for tenants. The non for profit developers include SHI, who in the context of Johannesburg work very closely with the government to deliver cheaper housing to those with low income. Additionally, the local government has its own housing delivery programs through the CRU program and transitional/emergency housing in the inner city. Other housing providers that are not legally recognized by law but still operate in the provision of housing and spaces are the slumlords that have hijacked building illegally in the inner-city. The literature revealed that these slumlords do not own any of these building, however the run them and force the tenants to pay them rent.

5.4. Challenges to the supply of affordable low income housing

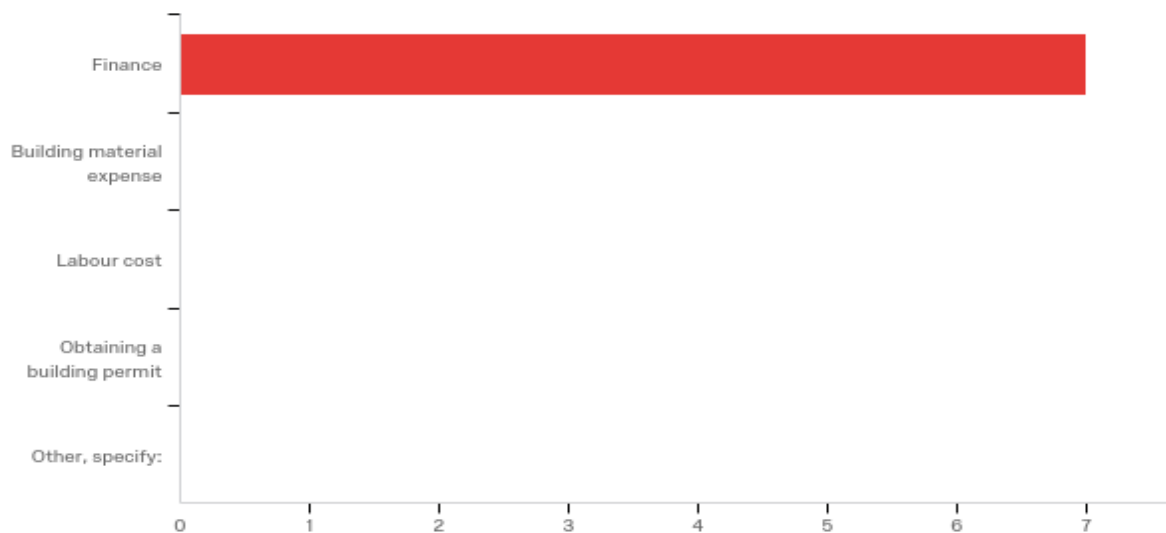
The challenges to the provision of affordable housing to low income household are one of the central themes of this study. In order to find better solution to housing low income households, this research found it important to look at what are the challenges are that make cheaper housing impossible to supply at scale. The responses of the participants are summarized below.

5.4.1 The main challenges to delivering affordable housing for low income households.

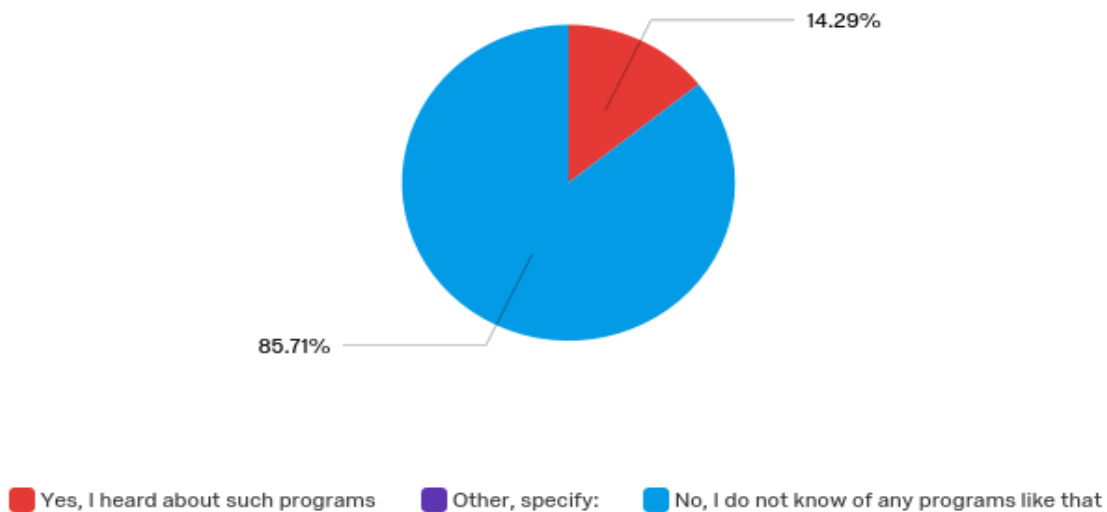
a) Financial Constraints

Main Challenges	Challenge mentioned total counts
Development and housing finance	9

The majority of the interview participants believed that one of the most challenging aspects of delivering affordable housing is finance. Even though there is money to be made, without any funding from finance institution for development finance to get the projects started, which makes it impossible to deliver any completed housing. Participants agreed that housing finance is a challenge, adding that affordable housing is badly financed by financial institutions and also by public institutions in South Africa. Even though they do not operate in the same breathe as big developers, small scale landlord also cited lack of finance for not developing more stock. Due to this fact, many of them had not even thought about extending their rental units. The table below shows that the majority of the small-scale landlords cited finance as a barrier to extending their rental backyard housing.



Also when small-scale landlords were asked if they knew about government or financing institutions that assisted in extending for rental stock, most participants indicated a resounding no.



Regardless of this fact, small-scale landlords showed interests in this idea of adding more rental stock to their dwellings.

b) Profitability

Main Challenges	Challenges mentioned total counts
Profitability	8

8 of the interviewees cited low profitability as one of the main challenges to the private sector's lack of participation in low income affordable housing. Also one of the participants mentioned that *there is not a lot of money going around for supporting affordable housing*, hence this makes it difficult to get into. Small-scale landlords indicated that for them, any of the rental fees they charge that is the profit. Unlike big developers and private financing institutions that are looking for big profit, small-scale landlord seem to only worry about the pay of their monthly rent fee. Over 80% of them stated that renting out their rooms has made them money. This is also due to the fact that they are only using existing stock and not new construction.

c) Government Subsidies

Main Challenges	Challenges mentioned total counts
Insufficient government subsidy	9

9 participants in the study believed that the current subsidy grants are not clearly targeted towards the people that need it the most. Participants mentioned that the subsidy, though it helps, it is not enough to be able to realise a fully functional unit that complies to the housing standards of the city as developers must adhere to such. The majority of the small-scale landlord in this study did not know about any subsidies or any finance from the city, hence they had no comment about this in particular.

d) Resources: Land

Main Challenges	Challenges mentioned total counts
Availability of cheap land	8

The next challenge that the participants identified was accessing land. Most of the inner-city is already built up in high rise buildings, however there is still a lot of land available and most of that land belongs to the City of Johannesburg, the municipality. Participants mentioned that vacant land in the inner-city is very expensive, this includes the huge potential is illegally hijacked buildings where slumlords operate and people live there illegally. One participant mentioned that the city doesn't sell land. Small-scale landlords did not have a problem with land as the majority of them work other jobs and are just homeowners.

d) Policies, Planning Regulations and Building Approvals

Main Challenges	Challenges mentioned total counts
Policy, Regulations and Legislations	7

7 participants mentioned that there is no clear housing policy that gives better direction to housing issues and how they should be tackled especially relating to low income households, which is an obstacle on its own. Developers mentioned that city regulations and standards add to more barriers, making it harder to realise housing project effectively enough. Prescribing how the units should be makes things difficult, especially with regard to size of the units and what the unit should contain.

Also participants mentioned a number of legislations that discourage private sector participation. The approval of building permits was also cited as a challenge at the municipality office.

e) VAT Tax

Main Challenges	Challenges mentioned total counts
VAT	3

VAT came up as hurdle especially from the big developers. They mentioned that if developments were exempted from paying vat, that would be a huge incentive for developer as that is equal to 15% of the financial spending.

f) Basic services and Operating Cost: Utilities and Incorrect billings

Main Challenges	Challenges mentioned total counts
Operating Cost	8

The participants voiced their frustration at the inefficient and expensive cost of managing and running rental housing. Also participants mentioned that water, sewage and electricity from the municipality are really expensive and usually they have to charge these on the tenants. But running rental stock on the affordable housing model is a challenge as tenants cannot pay high rental fees. Hence these contribute to the list of disincentives. For small-scale landlords, because they currently have small units, their water and electricity are relatively small and they charge that to the tenant.

g) Socio-economic factors

Main Challenges	Challenges mentioned total counts
Socio-economic reasons	7

Some participants stated that it is very difficult for people to pay their rents because the unemployment rate in South Africa is very high. Most tenants in the inner-city have artisanal skills don't really have permanent jobs. Developers and social housing institutions want tenants who are working with a history record. They believe that it is a risk to delivery housing for people on low income because they may not be able to pay your rent, which is then a problem for them. Small-scale landlords also mentioned difficulty sometimes when tenants cannot pay their rent.

h) Collaborations and communication

Main Challenges	Challenges mentioned total counts
Lack of collaboration and communication between government and private sector	8

The participants also voiced out their frustration at the lack of effective collaboration between city developers, social housing institute and the government. These interviewees stated that if there were better collaborative and communication efforts between them and government, it would be very helpful towards forming discussion about how to tackle housing issues for low income households in the inner-city. Currently the developers mention that the city introduces new legislations without even consulting with them, and then the next thing they expect the private sector to implement their conditions. Small-scale landlords also mentions that it would have been nice to gain knowledge about programs being run in the area, however, no one informs them of anything.

Most respondents indicated that they do not have any collaborative partnership with the municipality of Johannesburg regarding housing delivery with the exception of one developer who is involved in both social and affordable housing. One respondent stated that *“at this stage we don’t do any public private partnerships, it doesn’t mean we are not willing to do stuff but we are open to partnership with the certain rules in the province and there’s got to be sort of a win – win partnership.”* Another responded, mentioned that because her company was not yet a big player in the industry, no partnerships have been agreed upon with government. Nevertheless, the one big partnerships that do exist, between the government has set up with the private sector is called the Johannesburg Inner City Partnership(JICP) which originally set up City Improvement Districts. According to Zack, the Johannesburg Inner City Partnership is to be the key point of coordination of all partnering arrangements within the inner city. It is the umbrella organisation through which the City, private sector and community stakeholders jointly oversee ongoing improvement of the inner city (Zack, 2014,p70).

According to one responded, the JICP was established to *“get the city business and labor to work together for the benefit of the city. I guess what you could say is that we try and initiate projects from the ground not just in housing but it’s different sphere’s, things in the last few years have gone quite tough there’s not so much money around anymore it seems to have disappeared somehow.”* Another respondent continued to mention that the big thing is provincial government and municipality, they all realize that there’s a need(for housing)and they need to do something and then they then implement their policy but without consultation of the private sector. It seems that whenever government introduces new policies and regulations, it doesn’t communicate, partner up and collaborate with the private sector, it just implements policies and then *“ask the private sector to solve the housing shortage.”* This has led to some developers being discouraged. Also some respondents mentioned that they don’t know any developers who use government subsidies besides social housing institutions. Small-scale landlords also do not have any collaborative partnerships with the local government or municipality.

i) Political Interferences

Main Challenges	Challenges mentioned total counts
Political Interferences	6

6 interviewees mentioned that housing in South Africa is a political topic and sometimes politics can get in the way of efficiency in systems. Participants mentioned that sometimes branches at provincial government and local municipality don't work well together to achieve the same goal. For example: Gauteng Province is run by the ANC political party, which the main party, however the city of Johannesburg and Pretoria are run by the opposition party known as the Democratic Alliance (DA). Lack of efficiency in government creates further barriers to the realisation of increased low income housing supply.

j) Risk

Main Challenges	Challenges mentioned total counts
Risk	5

5 interviewees made an important emphasis on the perceived risk notion of rental housing for low income. They mentioned that affordable housing for low income households is high risk and the private sector does not really like venturing into projects with a high level of uncertain.

k) Management

Main Challenges	Challenges mentioned total counts
Strict Management Requirements	7

Similar to operating cost, poor management of rental stock leads to it being damaged which means that developers really need to manage their housing stock well which again cost quite a lot of money. However, if not done, these housing blocks eventually turn into slums. With no subsidy to assist with this, it is rather difficult to keep well managed stock with low income tenants. Small-scale landlords mentioned that managing rentals with tenants can be difficult.

5.5. Suggested Strategies to improve participation in low income affordable housing for low income households

Finding strategies and opportunities that could be used to motivate the delivery of affordable low income rental housing is one of the important aspects of this research study. The research examined strategies by looking at the current obstacles that hinder the supply of affordable rentals and the opportunities that exist for the private sector. The participants in the study voiced their opinions on

what could be done and also based on the themes that came out of the interviews, some interpretation were also made.

5.5.1 Strategies and interventions

Participants in the study had different but also similar ideas on what strategies and levers could be utilized and implemented to get the private sector more involved in delivering affordable housing for low income households.

Access to cheap land

Respondents indicated that one intervention that could be very attractive to enticing the for-profit private sector is getting easy access to acquiring land at a cheaper rate than currently being sold. The interviewee stated that securing land at below market price would boost and help them save on cost, leaving them with money to use elsewhere on the development. Land is one of the expensive things in housing development. Here land meant both brownfield and greenfield, and respondents mentioned that the city of Johannesburg holds a number of properties in the inner city, however it has been difficult to get the city to release that land. Participants also mentioned leasing of land as one alternative that could prove useful in gaining access to land to those developers that don't mind renting space. However some participants voiced their concern about this model, as they stated that private financial institutions do not like this idea and most probably would either not grant the funding for such a project or would impose high interest rates on the loans to account for the risks involved.

Finance

Participants in the study strongly indicated that easy access to finance would help boost the interest of the private sector. Interviewees stated that financing institutions are not that flexible when it comes to borrowing money flexibly. Also, one participant mentioned that there is a need for a development housing fund where finance for affordable housing can be built and provided to developers interested in the low income housing sector. Respondents also mentioned that accessing "loans at a reduced market rate, deferred interest on loans or loans in the form of grants" would greatly attract the private sector in delivering more affordable housing.

Increased of government subsidies

Regarding subsidies, the participants indicated that the current housing subsidy being supplied by the province through the municipality is not enough and sufficient to delivering fully completed unit for low income house. Interviewees indicated that the current subsidy stops at developing the concrete structure of the projects without any of the finishes needed to complete the projects. One developer mentioned that for about 7-8 years the subsidy amount remained the same while inflation and prices rose up quite substantially. This has meant that a lot of services in the house building industry have gotten more expensive and so has the materials, labour and everything it more expensive but the subsidy has remained the same.

Building standards and Regulations

Interviewees indicated that the city bylaws and building requirements were inflexible making development difficult. This was in concern with the size of the units, building material and what should be included in the unit. Participants stated that it is possible to deliver fully functional units

that are smaller in size and have all the essential resources required to make it a home. Some of the participants also indicated that building smaller sized units with communal ablutions is also an opportunity that has not been fully utilized. Only one SHI is currently providing this type of housing. According to some participants, these have a huge potential with saving up cost and possibly making rental housing way more cheaper and accessible to low income households.

Municipal approvals

Interviewees indicated that the streamlining of approval as a crucial and important aspect of enticing the private sector, because currently the process is time consuming and the longer the wait, the more money it costs developers due to those delays.

Waiving of development charges and fees

Interviewees suggested waiving of fees as part of the incentives to delivering low income rental housing. Participants indicated that the fees they contribute towards the development of their projects can be waived away as an incentive to delivering more low income housing. These could include development charges, planning fees, building permits, property tax, land tax and more. Cutting down on these or allowing developers to not pay for them would contribute to money being put back into the project which would keep the cost of construction further down.

Operating Cost

Additionally, interviewees felt that because utilities and management cost of rental housing cost a lot of money, the introduction of an operational subsidy has the potential to attract a lot of the private sector as these cost almost half of the rent being paid. One participant emphasized that *utilities are the killer*. When they cannot afford operation cost of the building, the housing stock deteriorates very quickly due to lack of management and maintenance. That is already the case with regard to the hijacked buildings. One participant commented that some of these buildings owe the city a lot of money due to many years of mismanagement.

Rental Allowance

Some interviewees also felt that there is a need for an ongoing rental allowance where the tenants get some financial assistance from the government towards their rent. One participant mentioned that the city had a program that assisted the poor financially known as the Extended Social Package, however this program failed to materialize to something effective. This developer mentioned that in case of a rental allowance, tenants would still be obligated to pay about 30% of their already income (as per affordable housing standard) towards their rent and then the rest would be covered by the government or local municipality. Nevertheless he emphasized on the careful planning of such a program and compulsory communication and collaboration with the private sector as this would ensure engagement from the private sector.

Small-scale landlords

Small-scale landlords in this study indicated that they do not cooperate or do any business with the municipal government. However, there is a lot of potential in unlocking housing from these small-scale landlords. Introducing campaigns to educate people of the city is trying to do and which support mechanisms exist could be beneficial towards the delivery of low income housing. Most of the small-scale landlords did not mind renting their spaces, in fact they also mentioned that if the City could

assist them financially, they would participate in providing rental accommodation and adding more stock to their housing portfolio.

Waiving VAT Tax

Regarding VAT, participants strongly advocated for the waiving of VAT as well. According to them, VAT cost them about 15% of their development finance which is a lot of money that they could use towards construction material, labour and more.

Clearing hijacked building of its illegal residents

According to the interviewees, the City of Johannesburg's emergency and transitional housing has not helped improve access to housing and land (in the form of deteriorated buildings) in the city. Due to densification in the city, many buildings that were abandoned and now illegally occupied have been turned into vertical slums. Developers who have been interested in buying buildings, either for redevelopment or new buildings to deliver more housing have faced a lot of resistance especially from slumlords and the illegal occupants. As it is the city's responsibility to assist these people with finding alternative accommodation, the city has been failing its mandate to do so. Respondents indicated that the city wants to shift this responsibility to the private sector. Developers felt that this was the responsibility of the city and should remain so if the city wants to attract more stakeholders. One participant mentioned that *"no one (developers) is going to do that (taking care of the current occupants of hijacked buildings)"* when asked what he thought about what the city is trying to do. They view this as a disincentive. Participants suggested the city to do a better job of re-allocating these people, so much so that one respondent suggested that the city could use the private sector to fix some of its problems, but they have to communicate and work together in a mutually beneficial collaborative effort.

Interviewees also called for a more efficient way to deal with illegally occupied buildings. They mentioned that trying to evict the tenants of these buildings has turned out to be a nightmare due to the PIE act that makes evicting people unlawfully illegal. Developers mentioned that these proceedings of securing court orders to evict people come at the expense of the developers. Waiting and delays cost money, court and legal representation is also costly. Also, developers voiced their concerns about taking on hijacked buildings, stating that it is a difficult situation to be in.

Strong collaborations

The interviewee in the study strongly agreed that partnerships and collaborations with government are crucial to finding solutions to housing low income households. One respondent mentioned that collaborations are needed because the *"government hasn't been good in providing rental housing, It hasn't been good in managing it and it has lost control of its own local authority rental stock, it's not able to collect rent and so there's huge issues."*

In summary, this first part of the results from the data focus on who the housing providers are in the city of Johannesburg. Both the private and public play a significant role in the provision of housing in the inner-city. Also, the data revealed the most cited challenges that prevent private sector participation in low income rental housing in the inner-city. Additionally, interviewees suggested potential solutions that could help positively influence private sector participation. The following section will provide a discussion of these findings, a conclusion and recommendation of future research.

Chapter 6

Results and Discussion

This last section of the research will present and put together the finding from the interviews conducted in this study. The findings will be discussed and analysed in light of the literature presented in chapter 2 and 3 of this thesis. The literature review section delved into a different aspects of affordable rental housing, the role players, the challenges and the potential solutions that could be utilized to elevate and unlock the difficulties that prevent and permit the delivery of low income housing. This section narrows down the empirical finding of this study and evaluate them in the context of Johannesburg and what is applicable to it. In so doing, this section will also answer the research questions and sub-question posed in chapter 1 of this research. After the results have been discussed, a conclusion and recommendations will be made about how affordable rental housing delivery can be stimulated and increased by both the public and private sector, and finally some recommendation for future research will be made.

6.1. The local housing providers and the criteria for accessing rental housing in the Johannesburg inner-city

a. Government

In the City of Johannesburg, the government provides funding assistance for the development and redevelopment of public housing stock. This is done through the CRU program and Communal/transitional housing as mentioned in chapter 2&3. These programs form part of the national program towards granting low income households housing and increasing the delivery of affordable rental housing. CRU is a program that includes the upgrading of former public hostels and social housing institutions also work with government to provide housing at an affordable rate and transitional housing is a form of social housing targeted at households with emergency housing situations where there is no other alternative available to house them.

b. Social Housing Institutions

The providers of most cheap rental housing units in the Johannesburg inner-city are the social housing institutions. Though highly dependent on government and non-profit organisations, these SHI play a crucial role in the delivery of adequate and affordable housing in the inner-city. SHI are committed to providing affordable rental housing while at the same time acknowledging and taking into account the challenges faced by those low-income households. Nevertheless, the participants in the study made emphasis to the fact that social housing is *not for the poorest of the poor*. Households still need to prove they can afford to pay rent in order to qualify for a rental unit. Respondent commented that the social housing programme is better than the CRU programme or any government program because it goes right up, SH housing stock is well taken care of and provides safe and functional housing.

c. Private Rental Market

The formal private rental sector in Johannesburg is mostly not social in nature and is only affordable to those with relatively higher incomes. This sector is most operated by big property developers normally out to make profit. Some developers can get some form of a subsidy in case they are interested in producing affordable housing. Also what exists in Johannesburg and in South Africa as a whole is the informal rental sector. In the informal sector, usually landlords do not get any assistances from the municipality (see chapter 5). Here the housing providers are most often private landlords who rent their backyard units or rooms to tenants. In many cases landlords live on the property and rent out structures in their backyards.

d. Criteria for being eligible for housing

The ability for a household to gain access to housing is dependent on the income band they fall under as mentioned in chapter 2 & 3. For the government housing CRU program, one is eligible if they earn below R3 000 per month (Hendler and Thompson-Smeddle, n.d). For the government's transitional housing program households must earn less than R2 000 per month, including the unemployed (ibid). A very high number of these households lack meaningful income generating work. For Social Housing Institute's, the income band for eligibility goes a little bit higher than the CRU and transitional housing. SHI's task is to effectively manage the properties to ensure decent and affordable housing for the sector of the population earning between R2 000 and R7 500 per month. As mentioned previously, SHI do not cater to the poorest of the poor even though they operate in the low income housing sector (Hendler and Thompson-Smeddle, n.d). Lastly the formal private rental housing caters to households earning from R 7 5000 per month and higher, while the informal private sector caters for anyone that can afford rent (ibid). Regarding the informal private sector, the study found that most of the small-scale landlords eligibility criteria is far less than the formal private sector, here eligibility dependent on the tenant's ability to pay rent and the rental rates start around R1 000 and then it goes up.

6.2. Challenges to enticing private sector affordable rental housing provision

Housing Policy Issues

The issues of the national housing policy which is predominantly due to the fact that is unclear and untargeted does pose a huge challenge for the increased development of housing for low income households. Participants voiced this issues as the source of major frustration and challenge in tackling housing issues for low and lower-middle income households and thus discourages private sector participation because it doesn't necessarily specify what the procedure are to housing the urban poor in big city. According to one participant, this has lead to housing subsidy allocation for the provision of housing not *reaching the people at the bottom of ladder who needs housing the most*. In the literature, Whitehead (2018) study found that one reason housing policies are not effective is that they are unclear as to who is really in charge and who is in need. Milligan agrees citing lack of political support for a marginalised tenure, the complexity of negotiating change among diverse national and regional interests and the lack of clarity in the responsibility and accountability for housing between two sovereign levels of government (Milligan, 2003.p221). One participant indicated the exact same problem, stating that the current Mayor's initiatives are not being supported by the provincial

government, as they are run by different political parties, so the local municipal *government doesn't control all the legislation it only has a certain amount of power.*

Land for development

The lack of available land in good locations at an affordable price was also cited as one of the biggest problems discouraging the private sector from participating in the delivery of low income housing. Participants reiterated that the city has got to release some of its land and preferably at below market rate. There seemed to be this idea that the city doesn't want to release land for cheaper even if it was for affordable rental housing. Because of MFMA, respondents mentioned that the city has been reluctant to sell land at below market rate or give it for free for the production of new housing. According to the study participants, this is crucial to attracting participation because land is very expensive and affordable rental housing is not very profit intensive. If developers returns are going to be restricted, it is only sound to create an even more enabling environment for the process of development to take place, According to MGI(2014) finding land in an appropriate location is the most critical step in developing successful affordable housing and without this, then affordable housing projects cannot succeed, no matter how well construction, operations, and financing are managed. According to Agunbiade, in many developing countries land is currently not well managed to facilitate housing production at a bigger scale due to lack of integration across land administration functions: land tenure, land value, land use and land development (Agunbiade et al, 2011).

Finance

According to Black (2012), one of the most important challenges to increasing affordable rental housing is that without any outside funding or financing from the government, it does not yield a satisfactory return on investment for developers (Black, 2012; Pomeroy, 2012). Participants in this study found that when venturing into affordable rental housing, financial investor are reluctant with investing their money in these projects. Black also found that "it is more difficult to obtain stand-alone construction financing for rental housing than for just about any other asset class due to the absence of pre-leasing...office, retail and industrial all have pre-leasing or pre-sales. Most bankers aren't keen on 'build it and they will come'".

Even though bigger and more established developers had no problem accessing funding, but they stated that this is a challenge especially with financing rental housing for low income households. One participants stated, if one was to build a dormitory style housing for adults, "*banks don't like it*". According to him, this is due to the risk involved, in case the project fails and banks have to repossess it, it is not easy to resell such a property on the market for a good return, which would leave the banks having to run and manage it on the long term. Another participant also mentioned that this is sometime the same when for profit developers borrow money for a land leased projects, "*investors would prefer you to buy the property*". The bigger developer indicated that because they are well established, accessing finance for them is a lot easier than new up and coming developers.

The financial institution interviewed in the study indicated that they lend funds to developers of products which enable purchase, purchase plus refurbishment, construction, development loan. One participant stated that *financial institutions have to be more flexible*. Also participants mentioned that the even *when financial institution lend the funds for rental housing, that cost of finance is high as investors take into account the risks involved making the interest rate for borrowing money is higher.*

This echoes Witmer (2007) sentiments, stating that financial institutions see affordable housing projects as high risk and are reluctant to lend money to developers of such projects, nevertheless when they do provide funding, the interest rates are usually higher. Consequently, this impacts on the cost of the total development, making it more expensive as a result developers tend to charge some of these expenses to the end-user, making housing more expensive.

Furthermore, end-user finance is not always accessible or even possible for rental accommodation. When households do not have the money or have bad credit history, they do not qualify for housing, they are automatically excluded. Participants indicated that in the past they have had many issues with people not being able to pay rent, and this had a negative impact for the landlords as it resulted in them not being able to pay their operating and utilities cost. Participants cited utilities as one of the biggest challenges as low income tenants are sometimes unable to pay for their services, but only rent, making rental housing not popular amongst the private sector. According to MGI(2014), getting finance for low income households is challenge in developing economies where financial systems are not as well developed and many low-income citizens are “unbanked” and work informally. Lending to end-users with no bank account or credit checks is considered very high risk by money lenders.

In terms of policy assistance and private sector finance, the government provides subsidies for the development of affordable housing, however, this study found that those subsidies are not enough to deliver a fully functional unit for low income households. Participants in the study indicated that *more funding vehicles are needed* in order to be able to deliver fully functional affordable units. From the demand side, the lack of a rental subsidy where households can get a housing allowance to meet their rental obligation was also cited as a barrier to accessing adequate housing. Low income households are usually excluded from borrowing money from lending institutions as they are deemed high risk as most either have low incomes, informal jobs or no jobs at all.

Profit Margin and Risk

Due to the profit driven nature of the private sector, profit margin and lack of viability were cited as a challenge for enticing the private sector. With rental housing, developers are not able to sell their units as they would if they build to sell. According to Black (2012) developing for sale is the primary way that developers make money, even when build to rent is initiated, developers reportedly try to get their own money or equity out as soon as possible after construction is complete by selling the rental property. Nevertheless, the developers in the study indicated an interest in getting involved in affordable rental housing delivery but emphasized that better incentives need to be presented. Also connected to profit is risk. Risk associated with the development of affordable rental housing is the other challenge in enticing the private sector to getting involved. In rental housing, this includes property occupancy and management risks. One developer indicated that one of his biggest fears is having his properties illegally invaded. This is inline with Berry (2002) and FRPO (2015) findings that rental investment produce important and multiple risks connected with revenue flows, financing costs, operation and management, and public policy changes. Due to these, rent prices significantly increase as developers try to recoup their money and make some profit.

Planning Controls and Standards

Additionally, another factor constraining the development of affordable rental housing are planning standards and controls also formed part of the challenges to enticing participation. According to

participants planning controls and standards are not flexible enough to allow creative solutions for the delivery of affordable rental housing. Gurran's observed that when planning controls and standards are too restrictive they can exclude lower income groups or those with special needs from a particular local or regional housing market (Gurran, 2008). Participants indicated that government and city planner do not entirely grasp the corporate side of development projects and what a good product is in terms of standard. For example, one participant mentioned that the *minimum size of rental units in the city is 30 square meters and that's just a bit oversized packaging, and costs you so much more, we can build functional self-contained, extremely nice apartment at 15 or 17 square meters, so they would need to change those regulations and in fact there shouldn't be any guidelines regarding unit sizes.*

Interviewees emphasized that *the bigger the units the more expensive they are to run*, which automatically raises the price for the consumer. These include the kitchen, water and electricity for each unit, maintenance fees and so on. Participants also mentioned that using alternative building materials like dry-walling, or repurposing the roof and floor if they were still in good condition would contribute to saving more costs. This is inline with a study in New Jersey that found that excessive regulation drove up the cost of homes by as much as 35 percent (US DOH, n.d). According to Green and Malpezzi (2000), heavy regulatory environments raise rents by 17%, and increases house values by 51%. Participants also advocated for housing with communal facilities to minimize cost. Additionally, Lemphers (2017) found that lengthy timelines and complicated processes for approval of rental development increases both risk and cost for developers and thus impact on financial feasibility of the affordable housing projects.

Participants in this study complained that the lengthy process of obtaining building permit and approvals are barrier to delivering housing as they are time consuming and lengthy which increases cost on the developers side. They indicated that building permits and approval processes could take anything from 6 months to years, especially through the tender process until a project is approved. Interviewees also expressed a need for the streamlining of the development process, building permits approvals, and flexible planning standards and regulations. Lastly, participants voiced their frustration at the inefficiency of the municipal offices and lack of training of their personnel.

VAT

According to Lemphers (2017), adverse tax policies appear as a barrier to rental housing investment, because they can have a significant impact on the profitability of rental development, which already have lower profit margins. Participants in this study complained about the negative externalities of taxes, including VAT. Participants indicated that *VAT cost them about 15%* of their development cost, excluding everything else they still need to deliver a completed project. Also, participants mentioned that it was not possible to claim this back even when the projects have been completed, and they indicated that this is a disincentive and cost them a lot of money. In chapter 2, Witwer (2007), also found the current tax environment a disincentive to private developers for new rental construction as developers are forced to increase the price of housing and rent for low income households to recoup some of the vat. The same observation was made by Ahuri (2003) stating that the private rental market face high effective tax rates at low rates of capital gain in chapter 2. Most of the participants believe that the municipality could waive some charges in order to encourage

development in the affordable rental sector. These charges include but are not limited to development charges, rates and levies, some of which form part of the running cost of buildings in terms sewerage, road maintenance, street lights and refuse collections. Participants indicated that better communication and incentives would be encouraging.

Hijacked Buildings and Opposition

Hijacked buildings and the ineffectiveness of the municipal government in addressing this situation was also cited as a challenge that needs to be looked at closely. Participants expressed dissatisfaction about the issue of hijacked buildings and that the municipality was failing its mandate of taking care of the people living in hijacked buildings. This comes as some developers who own hijacked buildings in the city want to redevelop them for affordable housing. However, removing and evicting people has not been easy. Participants feel that the city is trying to shift its responsibility of re-housing people to the private sector. Interviewees indicated that there is a need for the city of Johannesburg to fulfill its mandate and not try to impose this on the private sector. According to participants, due to the PIE Act which protects the right of tenants, as explained in chapter 3, it has become a challenge to evict people in these hijacked buildings, which according to developers has cost them more money in legal representation and time delays to constructions.

Also, in a number of cases where developers have tried to evict people out of the buildings, they have faced a lot of opposition from the tenants. So much so that in many cases, tenants appoint legal counsel representation to fight the evictions in court when developers ask for an eviction order.

One participant mentioned that *“we were trying to buy a piece of land that has been hijacked for many years and there’s like a small house on it and it’s a very big piece of land in Braamfontein, however they(the tenants) got an NGO to represent them and it has been dragged for more than a year now then the lawyer said it probably go on until the end of next year before anything happens.”* The interviewees stipulated that this is due to the municipality failure to fulfil its mandate with regard transitional housing. As mentioned in the literature review, emergency housing is oversubscribed, the city has nowhere else to put these people. Part of that problem is lack of institutional capacity from the municipality to come up with exit plans for people living in transitional housing, as it’s not meant to be permanent. People put in this kind of housing have not managed to find alternative housing, either because they cannot afford what is currently being offered and they are waiting for social housing units hence they have turned these transitional unit into permanent housing and the municipality has not been able to do anything about it.

Furthermore, lack of institutional capacity has meant that the local government have had limited capacity in managing its own housing stock under the CRU programme as well and thus participants commented that the government has also lost control of those stock, one participant mentioned that the management of the CRU stock within the municipality, and now those buildings are now themselves hijacked or totally in disrepair and turned into slums. In chapter 2, Blumenthal and colleagues (2016), indicated that community opposition creates significant barriers to development and thus adds real costs to development under current approval procedures.

Lack of information about the demand

Also, there was also evidence to suggest that lack of information on the actual demand for housing. One participant mentioned that *the 2 bedroom sector in the Johannesburg Inner-city is oversupplied and there are vacancies which are posing a challenge*. However, most of the people that need accommodation, they are unable to afford what is currently available in the city. Furthermore lack of information has also lead to the failure to utilise small-scale landlords to the city's advantage. Most of the small scale landlords indicated that they are not aware of any government programmes that assist these landlords to increase their rental stock and become entrepreneurs in the housing supply sector. One participant indicated that some developers do not even access government funding through the subsidies. The unutilized potential of these landlords is a barrier to increased housing even though there is willingness to participate among this group.

Lack of Collaboration and Communication

Participants also expressed dissatisfaction about the lack of communication and collaboration between the private sector, different levels of government and the municipality. According to one participant, *"the government just introduces a new regulation and just impose that on the developer to implement without consulting the private sector."* Interviewees indicated that communication between the public and private sector is vital if solutions to the housing problem are to be found. According to Lemphers (2017) the lack of a clear and consistent path for partnering with government to build affordable rental apartments is a barrier to private sector developers. Participants indicated that even the different layers of government, national, provincial and local need to have better communication and coordination. One participant explained that *he believed that political sabotage is sometimes at play among the different sector of government*. Further he commented that *what the Mayor is doing, is on the right track the problem is he's doing a lot of these things without the support of the province*. I think there must be an alignment between the municipality and province and the local government. Healy advocates for a collaborative partnership towards development. In chapter 3, Healey's argues that all planning activity should involve some interactive relation, and some kind of governance process (Healey, 2003) as collaborative planning focuses on organizing different stakeholders to come together.

It is clear that there is a high demand for cheap rental housing in the inner-city of Johannesburg. The private sector has the skills and ability to deliver cheap rental units at a big scale, how ever they are currently not doing so because of the barriers inherent in producing rental housing for low income households. Financial assistance to produce more housing is not adequate enough and profit margins are low in the rental sector to convince developers to get involved. In terms of leaving the market to provide housing for everyone, affordable rental housing for low income households, has proved that markets alone may not be capable of supplying housing to every household from different income bands. Thus far the market has and keeps failing to be inclusive to all income groups. The private-sector does not supply affordable rental housing because unlike home ownership, rentals housing does not offer pre-selling option to build financial capital to go with the development of these projects and the guarantee that these projects will sell, also the returns on rental housing are low, made even lower for affordable rental housing. Government programs have failed to meet the demand of cheap rental housing.

Social housing, transitional housing and CRU in the inner city are oversubscribed. Some CRU and transitional units have been made worse by lack of management and poor maintenance. The demand for cheap housing is apparent and clear, and government needs to find ways to assist this situation and find collaborative partnerships and better enabling environment for the private sector to maximise participation and delivery. Government policies are there to enable a participatory environment, however they have proven ineffective so far. Strong collaboration and communication with the private sector are needed to motivate participation.

6.3. Possible Solution and interventions

A number of opportunities exist that could be applied to tackle the above mentioned barriers and increase private sector participation in affordable rental housing. Participants suggested a number of solutions they thought would be enticing to the private sector.

Political Willingness

Firstly, participants in the study believed that in order to solve the housing problem, there has to be political willingness from the government to push for creative and innovative solutions. Some participants believe that there is political sabotage within the different levels of government and there is a need to find solutions to these differences. They stressed that political will and commitment from government at all levels of government is important because without this, it is not possible to realise increased housing delivery. Municipalities have shown that they cannot solve the housing issue alone, hence it is so important to align municipal initiatives and programmes with provincial and national strategies. In this regard, one professional commented that the government needs to get its act together.

Inclusionary housing

A number of participants viewed inclusionary housing as an interesting tool but were not really certain how it will actually work out. As previously stated inclusionary housing is not a passed and implemented policy, but a draft that is still being considered by different cities. As a result, participants in the study commented that they are still waiting to see how it will be rolled out. They believed that the first proposal of inclusionary housing was discouraging to the private sector and now the revised version seems promising. Nevertheless, participants mentioned that they are open to the idea, even though there is a lot of scepticism as to how it will work. One participant stated, *the revised version I think is more doable where they give subsidies on your contributions like your parks and road and all of that, so that's more doable*. However, he also voiced his concerns stating that *the problem comes in where the board of corporates has to subsidize inclusionary housing and no one is going to buy a new development without a spine when there are developments where they don't have to include inclusionary housing*. This is because inclusionary housing is only applicable to development taking place in well-located areas.

The Furman Center also highlighted this point stating that inclusionary housing can also be a disincentive that can limit development of market-rate housing because developers can choose to go build elsewhere, where they are not required to sell or rent a portion of the units at below-market levels (Furman Center, 2008). However according to Conlan, n.d(cited in Mekawi, 2014) most inclusionary zoning experts agree that for inclusionary housing to be most effective, they should be complemented by adequate incentives to offset the financial burden and minimize developers'

resistance (Conlan, n.d). Since the city of Johannesburg has only started pondering through the inclusionary housing draft, it will have to make incentives more attractive to the private sector if participation is desired. Once on the ground and implemented, it will be interesting to research how the inclusionary program is doing.

Land

Land was highlighted as one of the challenges to increasing affordable rental housing and enticing the private sector from participating. Participants highlighted a number of possible interventions that could be useful in making land available and cheaper for the private sector that is interested in getting involved. One suggestion that was stressed was the ability to buy land at below market rate than currently being sold. Due to how expensive land can be, participants emphasized that this would assist developers in saving cost on their development. According to Black (2012), the fact that land is so expensive is one of the key reason why rental development is not economically feasible in large cities. The city of Johannesburg is going to have to find a way to make land cheaper for affordable rental housing.

However, because of the MFMA, which prohibits municipalities from selling land at below market rate this solution might prove difficult, unless the some regulations can be changed or relaxed to all an enabling environment. In any case these professionals believe that if housing issues are to be solved, the government has to find ways to be flexible and find creative solutions, changing some legislations is one of them. Another suggestion is for the government to lease land for a period of time to developers wanting to be involved in affordable housing. However, one participant indicated that financial institutions might not like financing such ventures. Nevertheless, Witwer (2007) found that land leases on long terms basis could work in favour of affordable rental housing, as they might promote collaboration between private and non-profit housing organizations because many developers don't like managing affordable housing for long periods of time and therefore, might want to sell the units to a non-profit housing provider, which could then maintain the affordability of the units for a longer time period.

Financial Support

Participants in the study expressed that it is challenging to access funding through financial institutions for affordable rental housing as it is viewed as high risk. One participant commented that capital funding is a barrier as *financial institutions are not flexible with their lending requirements*. Even though well established developers stated no big problems with financial institutions, they commented that these institutions could be flexible in terms of loans and what type of development they want to pursue. Witwer(2007) indicated that financial institutions have the opportunity to relax their lending practices for affordable housing projects. Furthermore, some participants expressed a desire for the government to create a housing trust fund to be established that would assist those developers who are committed to providing affordable rentals in their projects. Participants echoed the need for more finance in this area of housing development. According to Gurran et al (2018) securing long-term finance, including increased public subsidies, are essential to enable the affordable housing sector. Without financial support, the private sector will not be inclined to participate in delivery rental housing for low income households.

Tax Incentives

Participants echoed and emphasized that the waiving of rates and taxes as an incentive to attracting more engagement. Participants mentioned that property taxes are costly and on top of that VAT takes about 15% of the development cost. Developers mentioned that, if there was a way to claim this money and put it back into the building or save on cost, this would make a huge difference. According to Black (2012) tax incentives are pervasive in the literature on affordable housing, likely because they worked in the past. According to Lemphers (2017) municipal property tax rates may combine unfair national and provincial taxes on rental properties. Cities can incentivize rental buildings by ensuring local property tax rates for rental buildings are lower as those can significantly reduce the per unit cost of operating rental housing. However, Witwer(2007), found that the benefits of tax credits are debatable among industry professionals, that the development of tax credits could stimulate greater production of affordable housing units through private sector involvement, but many others also acknowledged the difficulties in developing such a systematic change may limit the impact of a tax credit system. In most of the suggested solutions, the participants also voiced their concerns about the capabilities of local government, provincial and national government in implementing any of these programs.

Streamline municipal processes

The respondents in the study indicated that due to the lengthy and time consuming bureaucratic process of getting municipal approvals for development, these should be streamlined and made more efficient. Participants mention that when there are lengthy delays in the development of their projects, it cost them money, especially since this part is at the beginning of most projects. Black (2012.p30) agreed that streamlining environmental assessments, planning and pre-development processes can help developers save cost, time and also decreases the risk of higher capital costs that result from interest rate increases that occur before construction financing is secure. However, Witwer(2007) expressed a different view on this matter, stating that a more efficient process, for affordable housing applications, would not necessarily result in a shorter timeline, as municipalities are somewhat restricted in their ability to expedite the approval process. However, she emphasized that irrespective of this limitation the private sector would benefit from enhanced transparency and predictability where developer are aware of the time required for the development approvals process, the associated costs could be better projected in the initial budget.

Flexible Planning Controls and Development Standards

In addition, participants in this study indicated that there is a need for flexible and innovative ways for delivering fully functional units that are in top quality. They proposed for new development standards that are not so strict, so that it is possible to save on development cost and material. Participants highly emphasized the building of smaller but fully functional units. They suggested the building of units with communal facilities and ablutions as potential solution that would decrease rent prices and make housing more affordable for the people in the deep down market. However, in Witwer(2007) study, she found that employing alternative development standards to address affordable housing was not the most desirable option for many of private sector developers as new standards did not guarantee a reduction in project costs, and therefore, the affordability of the

product for the consumer (Witwer, 2007; Pomeroy, 2004b). However, participants in the study believe that any incentive will contribute positively towards enticing the private sector into participation.

Operational Cost

Operating cost to managing rental housing can be really expensive. According to MGI(2014) they can account for up to 20 to 30 percent of annual housing expenditures, depending on the country. Reducing these costs can make housing more affordable, and establishing the right standards and governance can avoid dilapidation and help preserve housing stock(ibid). In many cases operating cost are charged with the rental income. If households cannot pay, it poses a problem for the well functioning of those rental units. An introduction of some operational subsidy was highly suggested by the participants in the study. Participants emphasized their frustration about the ongoing cost of running a rental unit they have to pay towards rates and utilities. They indicated that if they are to charge cheaper rental fees for the low income market, then an operational subsidy to go along with that would greatly assist. One participant commented *that rates and utilities outweigh the rental fees and management because they are that expensive*. There is a need to make these cost cheaper for the private sector, to entice them to delivery cheap rental housing at the rate that households can afford.

Subsidies

Professionals in this study stated the inefficiency of the current subsidy system as a barrier to housing. They suggested to find better ways to target these subsidies in way they benefit the poor . This is line with the World bank observation that poorly designed, lack targeting and monitoring criteria, and thus end up being captured by wealthier individuals that could otherwise afford market-rate housing (World Bank, 2015). According to Witwer(2007) a targeted approach to the needs of low and moderate- income individuals will increase the clarity for private developers and help them know if a proposed project is suitable for the available funding. Nevertheless some authors disagree with this sentiment, stating that subsidies may drive up rents and displace other deserving households, where lower-priced housing supply is limited (Litman, 2018).

Additionally, participants also indicated that an introduction some sort of rental subsidy allowance would be useful. This would either be given to the tenants or directly to the developers. One participant comment that this could even be a sort of a guarantee fund that tenants can apply for when they default on rent. This in turn would guarantee that people even when they don't earn enough, there is some funding that they can apply for, that would make sure they are always able to meet their rental obligation.

Better understanding of the demand

Participants in the study mentioned that it is clear that the government cannot provide for everyone. In this sense, the city should be helping those who really need help, however not a lot of data is available to know exactly how many people need what kind of accomodation. One participant mentioned that no information is know about the people that live in the inner-city. Many of them, especially migrant are living there illegally and with no records whatsoever. Participants called for the municipality to gather more data on the housing issue and what type of housing is needed by which people and how can the private sector help.

Small-scale Landlords

Small-scale landlords play an important role in the provision of housing in South Africa. Their backyard rooms and rental spaces have become a prominent way of providing housing to those who cannot afford housing in the formal private sector. Participants felt that small-scale landlords in the inner-city were not well utilized and incentivised to provide more housing. A solution where these landlords are made part of the housing solution in the inner-city was well expressed by the participants. TUHF, which is a financial institution lending finances to landlords interested in real estate mentioned that they are willing to work with anyone especially towards the provision of housing, but not a lot of people are involved. However, as the study found that there is not a lot of awareness programmes coming from government to teach people about these available opportunity for landlords. There is a need to take advantage of these small-scale landlords if the housing crisis is to be improved for low income households. Many of these landlords could themselves use the money and at the same time also contribute to helping the city reach its desired housing stock for everyone.

According to Nercua (2009) removing the engaging small scale landlord could be very beneficial. There is a need to remove the constraints faced by small-scale landlords and offer incentives to stimulate new constructions by this group of providers (ibid). Furthermore, one participant mentioned that maybe small-scale landlords located on the rim of the city might be the answer. According to this participant, low income housing does not need to be in the centre of the city. However, regarding this argument, perhaps it would depend on the distance to and from the rim of the city that would be important and how expensive transportation to and from the city would be. The whole idea of living in the inner-city is having the ability to within short distances of work, so that people do not have to pay extra on transportation fees. And also in terms of exclusion, housing low income households in the rims of the city might further entrench exacerbate this problem.

Neighbourhood Improvement and Employment Creation

Since the redevelopment of Johannesburg inner-city took place driven by the urban regeneration, much of this development has been happening in small pockets of the city. One participant indicated that it would be very helpful if developments happened on a neighbourhood level instead of just one building here and there. This way, job creating and improvement of the neighbourhoods would flourish and thus bringing in more businesses. Participants emphasized that lack of employment is one of the barriers to affordability. If people had the money to pay for housing, the housing situation would be much better.

6.4. Collaborations

This study found that many participants complained about the lack of collaborative partnerships with the local government. Some participants mentioned that they are interested in collaborating with government but there need to be better communication and that these partnerships much be beneficial to both parties. Participants expressed the desire for the government to work openly with the private sector, in so doing, maybe this would reduce some of the red tape developers experience when trying to access funding or land for affordable housing projects. One participant commented, *that it would be a good idea to partner up with the City of Johannesburg where it would provide about 50% of the development capital to be repaid at a later stage by the developers.* According to Lemphers (2017), on a macro level, funding and policy collaboration with senior levels of government is

essential because municipalities do not have the resources to encourage substantial affordable rental housing development without reliable support from other levels of government. Collaboration will provide the financial resources to pursue local solutions(ibid).

Furthermore, participants indicated that the city could also use its expertise in finding solutions to its own housing projects like CRU and transitional housing. Participants also mentioned a willingness to assisting with solutions about the illegally hijacked building in the inner-city. Another participant mentioned, with better collaborative relationships, the government could look to the private sector to assist them in the provision and implementation of those program but they stressed also that the government would need to pay them for these services.

In summary, affordable rental housing is faced with a lot of challenges. Attracting the participation of the private sector needs a lot of work and willingness from all parties involved. In the interviews, participants gave the impression that it was possible for the private sector to get more involved in the provision of affordable rental housing for low income household, however a lot needs to be done, it there private sector is to assist the government with housing low income households. Participants recognized the difficulties with the process, but also acknowledged that there is indeed a need for more accessible and cheaper housing for those who cannot afford rental housing on their own. Furthermore, these professionals proved well versed in that affordable rental housing is not profitable, hence in order for it to work government and the private sector have to come together and collaborate different strategies that could be implement. Hence they emphasized a collaborative partnership with government to facilitate a working solution that is beneficial to both sectors.

Chapter 7

Conclusion

7.1. Research Summary

The main goal for this thesis project was to address the research question:

How can the private developers be motivated and encouraged to provide the increased delivery of affordable rental housing for low-income households at the income level that they can afford?

This research wanted to find out if affordable rental housing for low income households was possible to be delivered by the private sector. Most research and literature has accepted the fact that the private sector is only capable of delivering housing only for those who can afford. However, the research showed that the current methods being applied to the supply of affordable rental housing have not been effective and continues to be that way, with the government failing to deliver adequate housing for all. Background information about the issues faced by the inner-city of Johannesburg were given to provide a clear picture and context. A detailed literature review on affordable rental housing was provided and also strategies and policies that have been used in South Africa were given. The challenges that are inherent in rental housing and strategies that have been applied to better tackle these problems were also examined in the academic literature. A brief look at the rental sector in Johannesburg was provided and social housing institutions proved to be doing well in providing cheap rental housing however, these nonprofit organisations are oversubscribed with waiting list of many years. Furthermore, the research questions were answered and steps have been recommended that can be used to improve the delivery and supply of affordable rental housing in the inner-city of Johannesburg. Below is a summary of the key findings.

7.2. Key findings

This research found that there are a number of initiatives and incentives that can be taken to motivate the private sector to provide and participate in the provision of affordable rental housing. Though these could not be guaranteed solution to enticing the private sector, these were the expertise of the professionals currently involved in the house building industry. The key finding for this study are:

- The most prominent role player in the provision of housing in Johannesburg are the Government, Formal Private Sector, Informal Private Sector and Slumlords with financial institutions providing the funding.
- The inner-city has a housing backlog of over 300 000, with waiting list of over 150 000, and inward migration of over 3000 people a month to the city.
- The majority of households in housing stress are those in the low income housing market.
- Currently, it is mostly the government and social housing institutions that dominate the low income housing sector, with minimal formal private sector participation. All of the government programmes and SHI are over capacitated. The temporary emergency housing has become mostly permanent. The informal sector has

contributed significantly to housing the urban poor, however, it has also been to a limited scale.

- Even though the developers in the study are well aware of the challenges in low income housing, they believe that with the right incentives, funding measures and collaborative partnerships, it is possible to attract more participation from the private sector in affordable rental housing.
- The affordable rental housing market is dependent on a number of project linked and institutional subsidies. These subsidies are normally applied for by the developers of the projects to use in those developments. Nevertheless, participants have emphasized the shortcomings of these subsidies.
- The PIE Act has become an unintended obstacle to increasing housing supply as its due process to evict illegally occupying residents takes time and legal council takes money. Established developers see it as a nuisance and a demotivating factor as sometimes these cases go in favour of the tenants and developers are stuck with an even longer wait before they can start building or redeveloping those units.
- Numerous number of challenges face the private sector from getting involved in low income housing. These include cost and availability of land, development cost and financial constraints, profitability on the side of the private sector, inadequate government subsidies, lack of clarity in housing policy, inflexible planning regulations and time delays in building permits and approvals, VAT and other taxes, ongoing operating cost, lack of employment of the demand side and lack of effective collaborations between the private sector and the public.

The research question: How can the private sector be motivated and encouraged to participate and deliver affordable rental housing for low income households at the level they can afford?

The participants in the study mentioned a number of initiatives that could pull and entice more formal private sector participation in low income housing delivery.

- The local government needs to find ways to make land easily accessible to developers in the low income housing sector. This has slowly started to take place as the Mayor of Johannesburg released about 71 inner-city buildings and properties(CoJ, 2018) in an effort to stimulate the delivery of affordable housing in the inner-city. The cost of land for affordable rental housing needs to be cheaper than it is currently. Another suggestion about land, is that if the government does not want to sell land, then they can lease land in consultation with the private sector.
- There is a need to find alternative sources of finance for the development and redevelopment of affordable rental housing. The current government subsidy provision are not adequate enough to deliver fully completed units in the low income housing sector. Accessing finance from investor is an obstacle especially for small developers. Also creating a housing fund specifically for building up finance for affordable rental housing was suggested.
- The government subsidy should be increased in order to gather more money to put toward these projects.

- In order to allow for innovative and creative solutions in the affordable rental sector, building standards, by laws and regulations should be made flexible. Participants indicated that they can deliver full functional unit for low income households that are small with alternative construction material, sizes and communal facilities.
- There is a need to streamline the housing delivery process. Participants understand that this involves different departments, but they emphasized an urgent need to have these process streamlined and more efficient.
- Numerous development charges and fees could be waived by the local government to attract more participation in the delivery of affordable rental housing for low income households. VAT was cited as a huge cost that is very discouraging, if VAT could be claimed back as form of tax credit to the developers of affordable rental housing, this could contribute to enticing developers to get involved.
- There is a need for an ongoing operational subsidy to provide developers of low income housing. Operating rental stock is difficult and expensive, however if it is not done that particular stock gets ruined especially in a high density housing. Also a rental allowance that is provided in emergency cases or to meet the requirements for qualifying for a rental unit is recommended.
- There is a need to lower VAT and other taxes for rentals housing. The taxes charged by the local government on rental property add cost and increase the fees that developer have to pay to realise their projects, thus contributing to them being rendered financially unviable. The City of Johannesburg can incentivize affordable rental housing by lowering or making it possible to claim tax back for the rental housing provided. This can result in developers saving on cost.
- The City of Johannesburg needs to figure out a more efficient way to take clearing of hijacked buildings and finding alternative ways of rehousing these people. Participants advised that government could work with the private sector to effectively handle the problem of hijacked buildings. The PIE act that protects tenants from illegal eviction has become a stumbling block for many developers interested in developing housing in the inner-city as it takes a long time to complete the process and legal council is expensive.
- The economy of South Africa has not been doing well for a number of year now, there is a need for job creation, skills training and putting people back to work. The affordability crisis is due to people not having jobs or having jobs that do not pay enough to be able to pay rent. The rate of inflation in the country has not help the situation, so there is an urgent need for the creation of jobs.
- Lastly, government from all levels and the private need to stop working in silo and form serious partnerships if the housing problem is to be solved. Collaborative partnerships and open communication about the housing policy, funding and what incentives are win win for all parties involved is crucial. The municipality of Johannesburg has shown that it does not have the resources nor the capacity to solve the inner-city housing problem without any support. Collaboration and communication will assist in finding out what other solutions are possible, how can

financial resources be mobilised and created and kind of local solutions exist that can be pursued further.

In many countries and big cities around the world, housing problems exist especially with regard to the low income housing population. Housing being a high priced commodity is not accessible to everyone and usually the people at the bottom of the ladder suffer the most from exclusion and housing stress. Local municipalities have proven ill-equipped to solve some of these issues, proving that it is not possible to solve housing issues in silo, however the private sector has been reluctant to get involved in affordable housing. There is no one perfect formula or equation that could motivate and stimulate the supply and creation of affordable rental housing from the private sector. The private sector is not opposed to delivering affordable rental housing, however they voiced and emphasized that it can only be achieved if it is a win-win situation for all parties involved. They want to work with government, they want to collaborate and they also want to solve the housing problems of the inner-city. They are aware that not much profit is possible within the affordable rental sector, however they also do not want to engage if it means that they cannot even recoup their capital investment.

A collaborative effort and partnership is needed to entice and involve the private sector by exploring and finding ways to generate grant funding and make finance available, subsidies, tax exemptions, development fees exemptions, making land available and amending some inflexible legislations to allow for innovative and creative solutions to housing the poor. Currently the government implements policies with no consultation with the private sector. Creating and forming strong collaboration will help establish policies that are realistic and effective and possibly stimulate more investment from the private sector.

Theoretical Considerations

This thesis is rooted in a number of theories and approaches that inform housing studies. The first theoretical foundations of this study is rooted in Modern Finance Theory (MFT), which is concepts based on the belief that diversity in investments is better than investing in one project with predictable returns. MFT understands that every developer and investor want to attain the highest return on their investment on the long run with the smallest risk. It recommends that the private sector can achieve this by not “put all their eggs in one basket” (Markowitz, 1952), and diversifying their investment portfolios to get a better chance at maximum returns. A developer for example can invest in one high risk housing project for low income households, and combined it with less risky projects for high income households and other assets. This diversification would balance the developers portfolio in a way that the risk is lowered than all the other investments, in turn this could accomplish favourable returns in the long.

MFT commands that diversification across a large range of different assets, maximizes overall financial returns given the overall risks, or minimizes risk given overall return. The Johannesburg housing market currently functions with the private developers and financial investors only focusing on projects that are less risky and guarantee return on investment. These are housing projects that only deliver housing high income housing. MFT argues that the private sector should not be scared to invest in high risk projects as long as there is a diversification and mixing of different investments to balance the portfolio. So developers can and should invest in a high risk affordable rental housing

project and combine in it with low risk investments. In so doing, the private sector could gain greater returns in the long run. MFT recognises the risk inherent in investments, however argues that if all systems are in place and functioning accordingly, investing in a combination of high income and low income housing would have greater returns for the private sector. Nevertheless, some conditions must be considered, firstly the private sector must have reliable information to weigh the positives and negatives, there is absence of transaction cost and there are rational market players.

In South Africa, the government, planners, academics and developers seem to be under the impression that the private sector is always driven by profit, and that they cannot deliver housing affordable enough for low income households. MFT argues that this may not be the case as the private sector does not need to always invest in low risk housing projects with high return. They could split and diversify their investment by developing a high risk affordable rental housing project and combine it with high income housing projects, thus balancing their portfolio which could lead to either the same returns or higher in the long run with perfect conditions. As the study surprisingly found, developers were not opposed to getting involved in affordable rental housing, it is the conditions under which the affordable rental housing operates in that the private sector did not like. The participants in the study suggested a number of strategies that can be effective and implemented that would entice the private sector from delivering more affordable rental housing. This indicates that the private sector can get involved in low income affordable rental housing without having to incur high losses or any losses at all.

Furthermore, the second theoretical approach for this study is the enabling approach. The enabling approach as mentioned in the literature is a World Bank strategy that advocates for less government intervention and the encouragement of privatisation (World Bank, 1993). The South African housing sector is the product of the enabling approach, as the government implemented a number of strategies and policies in the hope of creating an enabling environment for the private sector to be able to deliver housing for all different facets of society. However, though the enabling strategy has played a huge role in developing countries, it has also failed in some respects. From the study findings, it is apparent that some government policies and legislations have created a stumbling block towards delivery housing for the low income instead of creating an enabling environment for the private sector to deliver more housing. Participants in the study stated the unclear and untargeted housing policy as problematic. Also government inefficiencies with regard to approvals, land availability and affordability, handling of subsidies and prohibitive legislations like the PIE act that make it difficult for developers to access their land in the quickest manner possible. There is a need for the government to review its enabling strategies and find solutions moving forward to better incentivise private sector affordable rental housing delivery.

Lastly, the collaborative approach may be what is needed to realise more affordable rental housing. The collaborative approach acknowledges that it not necessarily the job of the government alone to provide low income housing. With strong partnerships, communication and collaboration from a variety of stakeholder, affordable rental housing could be a reality. In conclusion, MFT theory advocates for the involvement of the private sector in the delivery of affordable rental housing and suggests that if systems work, the private sector does not necessarily have to incur any losses by investing in this high risk venture. The enabling approach applies to this study as the housing policies

in South Africa are based on this. However, as the study found, not all policies and legislation are favourable to enticing private sector investments in to low income housing. A collaborative approach could be very useful in devising effective plans of how affordable rental housing could be achieved.

7.3. Recommendation

In this section, recommendation from the study findings will be provided:

- There is need for the government to find ways to make land available for cheap and easily accessible to the private sector. This is not to say that the city of Johannesburg should give away all its land but for the private developers interested to delivering affordable rental housing. There is a need for the revision of the national housing policy, and also a revision of MFMA in conjunction with making land available.
- The handling of the PIE act cases needs to be reviewed and faster and smoother ways and solutions regarding the eviction of people need to be found.
- There is need for the relaxation of building regulations and bylaws, to make it possible to build smaller housing units with communal areas, using alternative building materials to decrease hard cost in the construction and running of these units once they are completed. Currently, the city of Johannesburg makes it mandatory to build a 30m² unit for a subsidy grant that is not enough to deliver that unit fully completed. More research could be done to find out what alternative measures could be taken to reduce the cost of delivering these units. Participants indicated that units with own bathroom and kitchen cost more than those with communal facilities as these proved to be cost efficient.
- The city of Johannesburg could waive property tax and VAT for developments that include affordable rental housing or have those taxes claimable as credits to those developer. There is a need to establish a housing trust fund specifically for affordable rental housing. This fund could source finance from national government and non-profit investors in South Africa and internationally, in so doing, creating a funding vehicle that is always there to support the private sector and anyone interested in delivering low income affordable rental housing. Also this housing trust could be used to contribute towards utilities and the ongoing operational cost of rental housing. Participants emphasized that this operational cost of managing rental housing is also one of their biggest challenges.
- There is a need to engage all stakeholders involved in housing provision. Participants complained that politicians do not really understand how the private sector operates. Small-scale landlords in the inner-city surroundings with potential to help increase housing stock do not know of any government programs in this regard, but the city has specific programs dedicated to these. So planners, academics, politicians in local, provincial, national government, social housing institutions and the private sector which includes small-scale landlords need to come together, communicate, discuss and collaborate. Strong partnerships and open communication will foster good relations and collaboration.

Finally, there is a need to emphasize and support affordable rental housing. It is clear that not everyone is able to purchase a house, people cannot afford it. It is also clear that the government is not able to provide these units alone, hence a relationship with the private sector is crucial. Some action in the city of Johannesburg has started with the inclusion of inclusionary housing, however no

projects have been conducted under this scheme as it was just a draft. However the city of Johannesburg is ready to pilot some projects in this regard, possibly a step in the right direction because Johannesburg is in desperate need of cheap rental housing. This study's finding could be useful in starting a conversation on how to move forward with engaging the private sector and increasing affordable rental housing in the Johannesburg CBD could be achieved.

7.4. Topics ideas for Further Research

This section will recommend topic ideas for further research based on the results of this study:

1. Research could do done focussing on what sustainable and cost effective measures can be utilised to reduce ongoing operational costs of running an affordable rental housing stock? What government measures can be applied to reduce these costs?
2. There is a need to find better ways of dealing with tenants evictions. Research could look into how the city of Johannesburg can better handle the evictions of tenants in the hijacked building of the inner-city? In a way that doesn't displace people or create problems for the private sector.
3. How can the streamlining of building process be established and put to practice, to reduce the delays and lengthy times?
4. How can urban planners help create better places and assist in the process of developing affordable rental housing?
5. Many low income households in the inner-city work in the informal sector with undocumented salaries, automatically excluding them from accessing housing in the formal market, so what system could be established to better assist these people to quality and access rental housing? How do you formalise the informal?
6. How can the city of Johannesburg better engage local small-scale landlords to build more rental stock? What instruments could be explored in this regard and how would this instrument look like?

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