Affordable Rental Housing

A look at a vital yet often ignored sector
Development Action Group (DAG), a leading non-profit organisation, deepens democracy by working as a facilitator of change in South Africa’s urban development arena. DAG supports communities in need of adequate housing to lead their own development by enhancing their capacity and resourcefulness. DAG influences State policy and practice through partnerships, research, training and lobbying activities.

Affordable Rental Housing
A look at a vital yet often ignored sector

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It is Saturday afternoon and Siya Lubengu* is in Delft South, fixing a burst pipe. Although employed full-time in the public sector, the 33-year-old clerk spends most of his free time developing and managing two township properties that he financed, designed, and now rents out.

From the building’s first floor, Lubengu looks onto a neighbourhood of sandy streets where backyard dwellings – many still lacking plastering or a roof – jostle for space between run-down RDP houses. Some, like his building, are solid double-story units, located next to or replacing original RDP structures. Others are ramshackle affairs, cobbled together from scrap materials and posing potential fire or health risks.

Regardless of construction, so-called backyard dwellings serve as home to over 1 250 000 households across South Africa.1 Constructed everywhere from inner city pockets to deeply rural settings, from the grids of government-subsidized housing projects to informal settlements fringing large cities and small towns alike, “backyarding” constitutes a massive and growing part of South African housing.

Like most spatial configurations in South Africa, backyarding was shaped by the laws and acts that made apartheid’s programme of racial segregation so devastatingly effective. As a phenomenon, backyarding arose in Johannesburg’s townships in the 1980s, a semi-clandestine response to the state’s efforts to reduce the black population in urban areas.2

Small-scale private rental accounts for 35% of all rentals in South Africa.

Post-democracy, South Africa’s new Constitution enshrined the right to “adequate housing opportunities” for all. Intending to rectify the radical spatial disparities inherited from the apartheid regime, the country’s 1994 New Housing Policy (aka, Housing White Paper) soon mired down in the cornerstone “National Housing Subsidy Scheme’s (NHSS) single-minded focus on delivering “40m² freestanding freehold houses”3 to qualifying households.4
By early 2010, over 2.2 million “RDP” houses had been delivered, yet in 2016 the national housing backlog still stood at some 2.1 million – reflecting the unpalatable reality that government could not and will not provide free homes on the scale once envisaged.

Meanwhile, in keeping with urbanization trends seen across the continent and the globe, South Africans continue to flock to cities – 63% of the nation’s population growth from 2001-2011 occurred in just eight municipalities. Most newcomers can’t afford the formal private rental market in Cape Town central, where a studio apartment starts at about R5000 a month in Woodstock and Salt River, and far more in neighbourhoods like Gardens or Sea Point.

It is here that small-scale private affordable rental properties have arisen to meet that need, mostly in the form of backyard dwellings. Rarely mentioned in the analyses and debates around South Africa’s housing policy and under-researched and ignored by national and provincial policy, this market shelters more poor households than the state’s subsidized housing programmes. According to the 2011 Urban Land Mark report, Small-scale Private Rental in South Africa, the small-scale private rental market is one of the most “successful, efficient and pervasive accommodation delivery systems in South Africa,” accounting for 35% of all rentals, or 10% of all South African households.

So what characterizes this market and why do we not know more about it?
On the supply side, affordable private rentals are just that: non-state-subsidized rental properties that cater to households earning between R3 500 to R15 000. This figure is based on the “gap market” of households whose monthly earnings fall between the amount needed to qualify for government subsidized housing (R3 500) and that required for a mortgage loan to buy a house in the private sector (R15 000). If 20% of household earnings are allocated to housing, the market includes rentals priced from R700 to R3 000 per month.

Zama Mgwayi is a project manager at the Development Action Group (DAG), an NGO with over 30 years of experience in urban governance, housing, and community organizing. Noting the gap market created between the poles of government subsidies and mortgage requirements, he asks: “So what happens in this gap market? Especially for those who are not ready to own, but just willing to rent?”

A continuum of options exists, but most affordable rentals remain within the informal and/or backyard markets. From informal backyard shacks to formal backyard rooms or houses, rooms in a formal house or apartment to micro-flats or full flats – the defining feature across the continuum is cost of entry, not construction typology. For the purpose of discussing the growth of the private formal affordable rental market, however, informal dwellings are not under consideration here.

Although difficult to quantify precisely, 2011 census data tells us that approximately 3.5m households earn too much to qualify for state subsidized housing options, but not enough to enter the private housing market. This massive group includes a wide array of people, but can broadly be typified as single young professionals,
recent graduates, young families, and others who are ineligible for the housing subsidy for reasons other than income.16

The rise of the informal rental market in Cape Town is described as “exponential”

Marco Geretto, an urban designer working for the City of Cape Town’s Transport and Urban Development Authority, describes the rise of this market in Cape Town as “exponential”. Independent urban development consultant, John Spiropoulos,17 cites a Provincial study18 of Cape Town that found over 25,000 employed people earning between R3,500 and R7,500 and living in informal backyard shacks and/or informal settlements, with another 5,000 earning up to R11,500. “If you extract from those figures, that means about 30,000 flats that could be rented,” Spiropoulos observed.

Despite the clear and varied demand, supply comes almost exclusively and in a largely ad-hoc fashion from the township-based private sector. That is to say, individual homeowners building structures in their backyards, or, increasingly, emerging developers constructing a few units to rent (both in backyards and in some cases on entire properties).

With BNG policy officially endorsing the affordable rental market, a small amount of rental stock is also provided via government rentals in the form of Social Housing and Community Residential units (CRUs). However, when it comes to providing affordable housing at scale, Cape Town’s government rental stock is not a significant player in terms of the numbers. Additionally, the City has acknowledged its struggle to properly manage the “major logistical constraint” posed by its public rental stock (rent collection and keeping up with administration and maintenance are all problems). More recently, the City transferred several rental units at a substantial discount to various qualifying legal tenants.19

Meanwhile, the CoCT faces a growing housing backlog that stood at 345,000 in 2011.20 Acknowledging that the “traditional housing approach” would take over 70 years to eradicate the housing backlog (using existing land, funding, and human resources),21 the City in 2013 adopted its Integrated Human Settlements Framework (IHSF). Heralding a strategic shift away from “housing delivery” to “creating integrated sustainable human settlements”,22 the IHSF set itself a new goal of delivering 652,000 additional “housing opportunities” by 2031.23 To achieve this, the City advocates for densifying on the existing urban footprint,24 specifically noting the roles of formal backyards and the development of new rental properties, especially for the affordable market.25

Though there is much to be praised in the IHSF’s shift, there is little happening on the ground to advance those principles at scale. Fortunately, developers like Lubengu are not waiting for policies, permission, or subsidies to break new ground themselves.

The City advocates for densifying on the existing urban footprint,24 specifically noting the roles of formal backyards and development of new rental properties.
Affordable Rental Market: Definitions & Trends

Definition:
Urban Land Mark offers the following definition: “A small-scale activity, seldom exceeding five units per property, on privately held land, managed by private individuals. Offered to occupants constituting separate households, through private rental treaty, whether formal (written) or informal (verbal) in nature. Excludes corporate and publicly owned accommodation as well as rental units in informal or illegal settlements. Also excludes social housing and housing co-operatives.”

Affordability:
The market is affordable for households earning between R3 500 to R15 000. This figure is based on the “gap market” of households whose monthly earnings fall between the amount needed to qualify for government subsidized housing (R3 500) and that required for a mortgage loan (R12 000, updated to R15 000) to buy a house in the private sector. If 20% of household earnings are allocated to housing, the market includes rentals priced from R700 to R3 000 a month.

Continuum of options in township market:
Current affordable private rental stock is provided by informal and formal backyard structures, rooms in houses or apartments, micro-flats, or full flats. However, for the purpose of this discussion – which focuses on the formalization and scaling up of this market – informal dwellings are excluded.

Management:
Managed by private individuals. “Homeowner landlords” manage the majority of formal small-scale rentals. However, the discussion here focuses on emerging developer owners, who may manage and serve as landlord, or may delegate that role to someone else. Most tenancy contracts are verbal, and ensuring equity for both sides (tenant and landlord) as this market develops is a crucial consideration.

Market:
Tenants are mostly young professionals, recent graduates, and working people starting families.

Left:
Mshini Wam informal settlement, Joe Slovo, Milnerton. The owner of this reblocked shack lives downstairs, having added an upstairs section for rental following the upgrading of the informal settlement in 2013/2014.
The grey concrete of an unpainted double-story structure rises up from behind Lubengu’s own three-bedroom home in Montana, a working-class neighbourhood just a few kilometres west of Cape Town International Airport.

In one of the rental units here, Zola Nene sits under a blanket, studying for her Registered Nurse qualification. Nene rents her “micro-flat” – a 24m² studio space that includes a private bathroom and a safe place to park her car – for R1 500 per month. Although her flat is worlds apart from the flimsy informal structures traditionally associated with backyarding, Nene’s method for finding it was not so different. “If there are outside buildings around the main house, for sure they’re renting there,” Nene explains.

As is the case with descriptors like “expatriate” and “immigrant”, the difference between renting and backyarding is one of socioeconomics rather than any distinction in the mechanics of the act described. In other words, renting in South Africa is seen as the purview of the middle and upper middle class. No one questions the legality, utility, or status conferred by renting in neighbourhoods like Observatory, Claremont, or Tamboerskloof. Yet backyarding – a practice endorsed by both BNG and IHSF policy, and supplier of the country’s largest stock of affordable rental accommodation – remains conflated with informality and therefore carries a whiff of illegality and a “less-than” status.
The distinction between renting and backyarding is one of socioeconomics rather than the act being described.

This is changing as, unit by unit, emerging developers like Lubengu are building a new type of affordable rental unit in townships, mostly located in backyards of other properties. Call it backyarding version 2.0. That is, brick and mortar (formal) accommodation that is legal, safe (built according to approved plans), and affordable.

"Over the past years, a lot of people saw the rental gap and provided solutions themselves without any assistance from government," DAG's Mgqiyana observes. "These developers are coming to the party to say we don't want backyard shacks, [as] has been the practice. So they are developing [formal] flats in the so-called poor areas."

Although homeowners remain by far the most common developers of formal backyard rentals, emerging developers in townships are increasingly seizing a market that "grows in spite of government policies, housing programmes, laws and by-laws".

"[The homeowners are] one space. It's once-off, supplementing income, providing stock. But the other space is the risk-takers," notes Spiropoulos. "They've done it before and want to do it again. They're the original capitalists."

They are also the players whose appetite, acumen, and understanding of the market have the potential to grow and formalize the affordable rental market at the scale needed to meet the country's demand. As urban planner and land economist Rob McGaffin says, "Will this solve housing problem? Individually, no. But if you have an army of [these developers] converting stock, it starts to mean something."

Seizing opportunities

"A lot of people are coming to Cape Town, and people are forever looking for accommodation. I was [renting] in someone's backyard, and I spotted the opportunity," says Lubengu of his leap into property development, which he hopes to turn into a fulltime vocation.

Having worked in the taxi industry while studying, Lubengu used savings and a personal loan to purchase his first property in Delft South, an RDP house that he demolished to build a 5-unit flat. He paid back the personal loan of R35 000 (at 26% interest) within two years. Paying back his loans and saving more money, he secured another loan from Nedbank, and pushed his credit card limit and bank overdraft to start building. He rented the units as quickly as they were finished in order to complete the project. "During the first year I collected rent to find money for paint, doors, a gate. It took all of 2015..."
Masiphumelele double storey rental units with adjacent shop, constructed in a front yard.

Masiphumelele backyard structure made from corrugated sheet metal that is currently rented to friends and relatives. The owner of the state subsidised house is discussing the development of the site for additional formal rental units with TUHF.

Masiphumelele front yard extension rented out to family.
to finish,” Lubengu recalls of the whirlwind of multi-tasking and hands-on involvement. Giving his tenants a discounted rate while still building, he raised rents to market value once everything was done. He has never had a vacancy or problem with renters in arrears.

In addition to providing much-needed accommodation, these developments also have a tremendous economic knock-on effect, creating an “army of small enterprise,” as McGaffin describes it. The value chains include and enrich landowners, contractors, construction companies, and a host of professional services (consultants, architects, estate agents)\(^3\), many of whom also come from the small, medium, and micro-size enterprise space.

In addition to juggling finances, Lubengu also had to make a plan when it came to design. Municipality building rules (e.g., maximum number of external doors and the size of a second dwelling in relation to the original dwelling) required that he change his design to fit the rules. “It ended up being not what I wanted because of those rules,” he says, explaining that only two of the five units have their own external entrance, and two of the units share a bathroom.

**Incentives like a return on investment of 40% with a 2.5-year payback period make this market worth the graft.**

Nonetheless, Lubengu and others like him are working the market, and incentives like a return on investment of 40% with a 2.5-year payback period\(^3\) make it worth the graft.

As part of a case study on emerging developers in Delft South, Spiropoulos looked at property growth rates over the last ten years in Cape Town and found the growth rate in price and value of land in Delft South and Iliasha Park to be higher than the mean of Cape Town as a whole. “People think there’s no market. There may not be a registered recorded market, but there is something there,” Spiropoulos commented, adding that more systematic research on transactions is needed.

Meanwhile, ever conscious of its seemingly Sisyphean goal of delivering another 652,000 housing opportunities by 2031\(^3\), the City of Cape Town supports this market, at least in principle. Tangible evidence of the City’s on-the-ground backing is scarce, but that may be changing.

“We’re trying to get a better handle on the backyard rental market and how it manifests across the city,” says Geretto, who points to ways that the City could and is starting to support these developers without dipping into budgets or creating new mega-projects. “It’s about communicating that we are supporting this. The City could also prioritize things like development applications, and be more flexible in its interpretation of the rules,” he notes.

Mgwatyu agrees that the City’s plans approval process needs clarification. “There are steps that need to be followed, but you can’t go to a local City office and get all the information around how the building [process] works and who the different role players are. In the absence of that, people take shortcuts.”

Despite the difficulties, the City is flooded by applications for formal backyard building in townships. In the Khayelitsha District Office alone,\(^3\) District Manager Charles Rudman says in 2016 he received some 6,000 applications for “additional housing units”, which category includes all forms of formal back- or front-yard development.

Rudman does his best to support these building applications, explaining the rules when necessary (e.g., why windows should not be included in a wall built on the boundary line), how people can maximise on their property rights, and when and how people can apply for planning departures. “Because we are being more accommodating, people are complying with the rules,” notes Geretto, adding that it is exactly this kind of give and take that improves communication between emerging developers and the City, and can ultimately improve the larger community’s appreciation for why the rules exist and where their own civic responsibility fits in.
All of this not only can provide more, better, and safer affordable housing options, but also starts to link pieces in the puzzle of how to formalize a mostly informal system for the good of all.

With clear economic benefits for the developers, an increasingly friendly stance from the Municipality, and the greater good at stake, why are more people not jumping at the chance?

Below Right:
Du Noon conversion of an existing shack to create a second storey for rental income (Masixole Feni, GroundUp).

The Players

Emerging or Micro-Developers:
Developers of affordable rental units in townships who are often employed in another sector completely unrelated to building, and have cobbled together finance from various sources usually excluding traditional property finance (mortgage loans) to develop formal rental units (often in backyards) as a business proposition. Their intention is to keep building these units, moving up to larger projects (e.g., commercial properties, etc.).

Homeowner developers:
Traditional developers of backyard rental units, these developers are building rental structure(s) as a once-off to supplement or wholly provide household income.

Landlords
Homeowner developers are almost invariably the landlords of their rentals. Emerging developers may or may not serve as landlords. Management of affordable rentals as they scale up is a point of concern, in terms of maintaining equity for both parties. A historical concern around exploitation of tenants has resulted in South African law favouring tenant rights, making it hard to evict non-paying tenants. However, in the township context this is believed to be less of an issue, as 1) people pay and 2) adequate supply of affordable rentals will result in fewer instances of tenant exploitation.

Financiers:
To date large financial institutions have not participated in this market. TUHF (Trust for Urban Housing Finance) is working with DAG, and piloting a finance package aimed at emerging developers in townships.

Supporting stakeholders:
This is a large and diverse group, including building contractors, builders and associated trades, property agents, conveyancers, town planners, architects, draughtsmen, land surveyors, lawyers, etc.
“There is no access to funding. People can see there is business, but they don’t know where to knock for help,” explains Lubengu. Despite the potential for returns and the size of the market, traditional financial institutions remain skittish of the affordable rental market. But how risky is it?

Back in the early 2000s, Johannesburg’s inner-city – the site of gorgeous art deco high-rises abandoned by white flight decades earlier – was seen as a no-man’s land for investment. But where some saw lawlessness and decay, TUHF (Trust for Urban Housing Finance) saw opportunity for regeneration and entrepreneurship.

Carefully selecting clients with passion and aptitude for inner city development, TUHF disproved fears around bad tenants, non-payment, and hijacked buildings. Its investments are a major factor in the success of now-thriving and desirable neighbourhoods like Johannesburg’s Braamfontein and Maboneng.

TUHF’s model rests on close personal relationships with clients with whom they constantly check in, handholding and mentoring as needed. “The only way we can get the level of risk managed is being there all the time,” explains Lusanda Netshitenzhe, Development Impact Manager at TUHF.

Having tackled the inner city, TUHF turned its attention to the township market. With months of research in Cape Town and Johannesburg having revealed patterns that fit its objectives for growing property entrepreneurs, TUHF recently launched a new pilot called uMaStandi, a finance project for property development in Cape Town’s townships.

“We know there’s a market and demand for accommodation. We want to regularize that market. In the same spirit that we came to say we want to regenerate the inner city, we want to go to the townships, not to regenerate, but to make sure that the structures that are built are compliant, safe, and legal. And that they make the necessary profits for the small-scale landlord in that environment,” Netshitenzhe explains.
McGaffin believes if TUHF can develop a working financial model, other banks will likely follow. However, he also acknowledges that the risks are real. “It’s not a straightforward product to go and finance,” McGaffin concedes, citing issues around the profitability of smaller short-term development loans, and fears around the loan’s security – i.e., the financial and political constraints around laying claim to a property in the event of default.

“But it’s a great opportunity for innovative financing. Considering how low the levels of vacancies and non-payment are, you’ve got a very good income source,” McGaffin added.

Like the banks, big developers have stayed out of this space due to similar concerns around perceived risk coupled with questionable profits at this scale. Again, the aversion is in part linked to (unsubstantiated) beliefs about problematic tenants who won’t pay, added to the usual worries about overhead costs on small-scale developments.

From the City’s perspective, capacity to lay adequate infrastructure is probably the biggest challenge to supporting these developers. Although the City’s densification mandate encourages formal backyarding, the reality is that much of the City’s existing infrastructure is already overburdened, and while new lines should be installed with greater densities in mind, all of this must be paid for somehow.

“If you implement it right the first time around, you don’t have to upgrade,” says Geretto, arguing that new infrastructure should always be installed with the assumption of densification, as the additional cost is minimal in comparison to upgrading down the line. However, funding for such foresight does not currently exist at the municipal level, and acquiring it would require national government support.

A problem of finance

The Cost to Value Equation

Rob McGaffin looks at the problem to conventional finance in this market through four pillars:

1. The property itself – where is it and how easily can it be sold or rented out?
2. The person borrowing – how credit-worthy they are and what is their development expertise?
3. Who else is standing behind the loan? And
4. Who are the tenants and what is the income stream?

McGaffin concludes that the majority of first-time emerging developers probably will not score well on the first three points, with only the fourth having clear promise. But the fourth perhaps carries the most weight, as repayment is ultimately what matters.

Main problems accessing finance

- People are deeply indebted and/or don’t have a credit rating
- The technical nature of paperwork is daunting
- Need for accredited builders

Right:

A four-story rental apartment in Du Noon built by a local family. The City of Cape Town halted construction due to lack of approved building plans and rezoning issues.
 Scaling up

Supporting the growth of the affordable rental market through supporting emerging developers

Certain points are agreed:

- The supply of affordable rental housing in Cape Town is inadequate.
- Although the market is not well understood beyond its inadequacy, most of it exists in the form of backyard accommodation, much of which is informal.
- Emerging developers are building small-scale affordable rental units that generally represent a safer and more dignified option than backyard rentals of the past.
- Those same emerging developers are profiting handsomely, despite poor access to finance, uncompetitive interest rates, and lack of support from any sector.
- The potential for scale is massive, pending appropriate finance mechanisms, government will to smooth the way in terms of planning and application processes, and adequate infrastructure provision.

In response to all of this, the Development Action Group (DAG) is putting some skin in the game. With a long history of supporting housing rights for the poor, the NGO is about to wear a new hat: that of consolidating developer of a 3 300m² piece of land in Khayelitsha, Cape Town’s largest township.

Launching the Zanethemba pilot project in early 2018, DAG intends to develop affordable medium-density rental accommodation for a mix of income earners, offering a new vision for what affordable township rental property can look like. “Zanethemba is looking to provide [emerging] developers an opportunity to develop in a different kind of way,” says DAG architect, Gaarith Williams.

Upending the township development model of “one plot, one house”, the Zanethemba vision employs a mix of studios, 2-bedroom units, and limited space for retail, designed to create what Williams calls “propinquity”. That is, using physical proximity and urban form to improve those chance encounters that lead to better interpersonal relationships and the opportunities that come from being part of a
cohesive community. In other words, the kind of neighbourhood a person might want to live in.

“We're trying to contribute to building a different kind of neighbourhood in Khayelitsha,” Williams says. “If you're renting, you want a space where there's some sort of identity, you can say you live in this block, as opposed to at ‘the back of…’ – there's dignity in that.” The mix of unit types also addresses concerns around the fact that the majority of affordable rentals being built in townships are studio units that, while solid and secure, do not speak to the diversity of market needs, never mind being well-designed spaces.

Creating affordable township rental accommodation with attention to design and form is important, but it is a different aspect of Zanethemba that gets DAG's Mgwatyu animated. “We want to work with emerging developers who know how to [meet the rental demand]. They've done it without the support, but if you can support them, what is the output they can come up with?” Mgwatyu says, adding that the creation of appropriate financial packages is key to this sector's growth. “Not finance that will last 20 years, and not personal loans, but a financial package that is customized to speak to this situation.”

With this pilot development, DAG hopes to prove that within South Africa's lower income housing market, the economic rights of landlord developers and the socioeconomic rights of tenants can be balanced. That is, the NGO wants to provide a model in which emerging developers can access affordable finance to participate in the formal urban land market, and thus develop safe, dignified, and well-designed affordable housing at scale for the thousands of South Africans who require it. “We don't want to build buildings where we have to demolish and start new every 25 years,” Williams says, referencing the notoriously poor quality of so much of South Africa's RDP-type housing.

Intentionally avoiding the use of government subsidies, DAG seeks to develop a flexible and financially viable type of housing that allows market function to play its role. Experts like McGaffin agree with the approach. “The [township rental] market is a private-sector response to the affordable housing problem. It's positive because the conventional public-sector response is highly flawed,” McGaffin says, referring to the South African tendency to view housing as a social – and therefore government – issue, rather than an economic one. “Part of the housing problem is that we haven't identified the problem properly. We need to view housing as an economic sector that can add value to and stimulate the economy,” he adds.

Taking this view, the housing shortfall becomes an opportunity for emerging developers rather than a problem for the state. Given the right support – e.g., property finance at affordable interest rates, and municipal cooperation in terms of building and zoning regulations and infrastructure provision – emerging developers like Lubengu can respond in a more differentiated and nuanced manner than the government ever could to the country's diversity of housing needs.

“We are testing new ideas here. Then we can start to share the learnings with government, and with financial institutions like banks, who were previously reluctant to work with emerging developers,” says Mgwatyu.
Spiropoulos affirms the importance of the project, which he also links to a larger picture. “The problem is we don’t have small and medium sized property developers, in the sense of people who hold equity, who are able to borrow against their equity and have experience and skill. We have to build capacity of [emerging] developers, who can systematically move – through turnaround of property development, more experience, and having a bigger asset base to borrow against – from being micro to small to medium sized. You can’t circumvent that process.”

A project like Zanethemba could provide the model and experience to grow a new generation of developers hungry to get into the massive affordable housing market. DAG will act as the consolidating partner and project manager, and is currently exploring finance options with TUHF and other financial institutions. To start, an appropriate finance package will be made available to four emerging developers, who will bring their experience and local contacts to develop the first phase of units.

“It’s the question of how do you formalize an informal market?” observes TUHF’s Lusanda Netshitenzhe, pausing before adding, “Sometimes you just need to jump in, take the risk, and learn the lessons as you go.”

**Below:**

Khayelitsha, Spine Road. Artists impression of proposed Zanethemba rental development to be built and managed by emerging local developers. The project intends to demonstrate sustainable medium density rental housing within a well located part of Khayelitsha.
Zanethemba Proposal
Khayelitsha, Spine Road. Artists impression of proposed Zanethemba rental development to be built and managed by emerging local developers. The project intends to demonstrate sustainable medium density rental housing within a well located part of Khayelitsha.
There is a need to actively support emerging developers working in the affordable rental housing space. This can be done with the following:

**Improved access to finance**
- Financial institutions should develop appropriate micro-finance packages for this market
- Government to consider financial incentives – not subsidies. Possible incentives could include things like a “rates holiday” for a limited period post-build, or a waiver of Development Contributions

**Making the building plan submission process easier and faster**
- The City should explore how development rules can be interpreted in ways that stimulate this market without having negative repercussions on safety or health
- The building process should be made clear and simple to follow, and a database of role players (e.g., accredited contractors) maintained
- Title deeds need to be granted/expedited so that people can submit legal building plans

**Access to land and zoning issues**
- Need to ensure that ownership and titling processes are followed, concluded, and formally recognised so that investments into property are secure
- Need to identify strategies to unlock opportunities for affordable rental housing development on currently underutilised land and buildings
- Officials and developers need to work together to understand how to work with and around established development rules in order to support expansion and densification of properties
Better communication

- Between the City and developers
- Between developers themselves: form an association to improve ability to:
  - Source accredited contractors and other associated stakeholders
  - Leverage needs with City
  - Explore potential for partnerships with larger private sector players (better finance options, pre-fab designs, etc.)
- Between City and communities: building civic responsibility and willingness to pay for the infrastructure and public amenities required by communities, and also to ensure better accountability from the City for the supply of those services

Supportive policy environment

- Official national and provincial recognition of importance of this market and support for it
- Local Government needs to be supported and resourced to upgrade utility services in areas that experience this form of densification
- Tariff and rating mechanisms / policies need to strive to ensure that poor residents are able to benefit from rebates and reduced tariffs

Concerns to flag

- Need a better diversity of rental types that reflect diversity of tenant needs (e.g., From small studio units to 2-bedroom full flats)
- Importance of maintaining minimum acceptable standards of rental units in terms of size, light, amenities, etc.
- Management and landlord-tenant relationships:
  - How to prevent exploitative relationships on both sides?
  - Issue around security of tenure
  - Role of rental tribunals

Right:
1: Du Noon, double storey rental units. 2: Du Noon, converted state subsidised house with a mix of commercial and residential tenants (Masixole Feni, GroundUp). 3: Ilitha park, Khayelitsha new apartment block built on multiple plots developed for rental. 4: Du Noon, shipping containers have been used to establish a crèche and small chapel on top (Masixole Feni, GroundUp).
2011 Stats SA Census showed: 712 956 households in informal dwelling shack in backyard; 422 849 in a backyard house/flat/room; 118 985 in a room/flat on a property or larger dwelling/ servants quarters/ granny flat. Making a grand total of households living in backyards across the country: 1 254 790

Lategan & Cilliers: 2; Poulsen & Silverman: 1
Urban Land Mark: 8; Bird, C. et al: 37
Bird et al: 5
Urban Land Mark: 9
Bird et al: 5
Urban Land Mark: 9
HSRC: 1
HSRC: 2
Carey: 2; Urban Land Mark: 3
Urban Land Mark: 4

Rob McGaffin notes that the income eligibility level has not increased with inflation since its inception in 1994. That is, a R3 500 pm household in 1994 is approximately equivalent to a R9 500 pm household today, yet the R3 500 threshold remains in place.

The figure cited in 2011 was R12 000 (Urban Land Mark: 7), updated to reflect current prices, it should be R15 000 (City of Cape Town 2016).

Although 30% of household earnings is used as a global norm, we agree with Rob McGaffin’s conclusion that this is an absurd figure to use in the local context, especially because so many lower-income jobs require workers to spend a tremendous proportion of their salaries on transportation. Thus we use the more conservative 20%.

National figure according to 2011 Stats SA census data. The Western Cape data shows 256 367 households. Data shows 1 066 364
households in the R4801- R9600 income bracket nationally (63 347 households in the Western Cape); and 2 475 240 in the R9 601- R19 600 income bracket (193 021 in the Western Cape). Although the second income bracket contains households with incomes above R15 000 (up to R19 600), this is the best and most reliable indicator of the gap market demographic data.

16. Housing subsidy eligibility is based on factors in addition to income – e.g., nationality, having dependents, receiving other subsidies, etc.

17. Spiropoulos is a consultant advising both the DAG and to TUHF pilot projects discussed later in this article.

18. 26 750 people in the income bracket of R3 500-7 500 have the household status of informal dwelling or informal backyard dwelling in Cape Town. A further 5 100 with this status are in the income bracket of R7 500-11 500. Source: Municipal Human Settlement Demand Profile, City of Cape Town Metropolitan Municipality 2015, Western Cape Human Settlements Department.

19. City of Cape Town 2014: 11-12
20. City of Cape Town 2016: 21
21. City of Cape Town 2016: 13
22. City of Cape Town 2016: 13
23. City of Cape Town 2016: 15
24. City of Cape Town 2016
25. City of Cape Town 2016: 24
26. Urban Land Mark: 3
27. Urban Land Mark: 7
28. A 2006 estimate found that one third of all people in informal housing are in backyard shacks (Bird et al: 34)
29. The landlord is the owner and resident of the “front” house, and more often than not, rental income is the main or only source of household income. In fact it could be argued that the real value of RDP houses for many owners is the rental income they secure from their backyard rentals.
30. Carey: 3
31. Spiropoulos: 6
32. Calculated as R15 000 investment for rental of R500/month (Urban Land Mark: 6)
33. City of Cape Town 2016: 15
34. There are six District Offices in the CoCT
* Not their real names

References:
• Carey, S. 2012: Informal Backyard Rental Accommodation: A Summary of Issues and Policy Emanating From Certain Previous Research
• Lategan, L. & Cilliers, E. 2013. An exploration of the informal backyard rental sector in South Africa’s Western Cape Province.
• Spiropoulos, J. 2017. Working paper – case study micro-property development of rental stock in Delft South & Ilisha Park
• Urban Land Mark, 2011. Small-scale Private Rental in South Africa

Far Left:
Masiphumelele (state subsidised house built in the late 2000s) converted into double storey rental apartments (approximately eight rental units).