



Slow delivery of title deeds to housing subsidy beneficiaries is cause for concern

Just over one million housing subsidy beneficiaries in South Africa have not received the title deeds to their properties, and the situation is worsening. As a result, poor households cannot fully benefit from the ownership of a property and use it properly as an asset and to improve their financial circumstances.

A study commissioned by Urban LandMark and FinMark Trust reveals that the registration of title to subsidy properties in favour of beneficiaries is not happening as it should be. The study estimates that just over half (52%) of all houses reported as delivered through the housing subsidy scheme have *not* yet been provided with a title deed. By the end of 2009, only 1,44 million of the 2,94 million subsidised properties allocated to approved beneficiaries had been registered on the deeds registry.

There has been much emphasis on the poor building quality of subsidised houses in the country, but scant attention is being paid to the potentially more harmful long term effects of not transferring registered title to subsidy properties. This effectively denies beneficiaries a critical point of entry into the formal property market.

One of the cornerstones of the South African housing policy is the housing subsidy scheme, launched by the Department of Human Settlements in 1994. The government provides small, low-cost houses on a stand to qualifying individuals, mostly free of charge on an ownership basis. The proof of this is the title deed to the property registered in the beneficiary's name.

The obvious value of a title deed is that it protects rights to a property and records changes in ownership. Title deeds also provide individuals with an address, recognising the owner as being part of the municipality, and enabling the owner to secure loans and to pass the property on to family members when they die.

In 2007 the Department began mapping the extent to which deeds had been provided to beneficiaries. The exercise was not completed but what emerged was that many people were not staying in the houses allocated to them, people did not apparently understand the value of their home as a financial asset, and there was a disconnect between ownership as recorded in deeds records and the reality on the ground.

New Urban LandMark research expands this picture and points to several contributing factors which undermine the transfer of title to beneficiaries. The major, if not the greatest, root cause is the failure to finalise the establishment and proclamation of new areas being developed. These delays in township proclamation, as it is called, are largely because the project developers (government and private sector) do not follow through on the approval of a General Plan for the new area. This then delays the opening of a township register. The primary stumbling blocks are that underlying disputes over land rights need to be resolved first, and provincial and municipal departments and the Deeds Registry offices often don't have the necessary expertise to do that. There is also immense pressure on government officials to build subsidy houses at scale, which sometimes entails short-circuiting the process of township proclamation to get houses on the ground quickly.

The current township registration and property transfer process is too complex and costly for the subsidy housing market and as a consequence is being by-passed both by developers and then by home owners once they are living in the houses and want to sell. This obviously affects the beneficiaries' ability to formally register the sale of the house, should they want to, and so perpetuates a growing informal market in subsidised houses.

Revisions in the project payment process for subsidy housing is another cause of the low levels of registration. Until 2003 the registration of the title deed in the name of the beneficiary was a key milestone of the payment process to the project developer. However in that year the progress payment system was changed to allow for payment of the completed top structure before the registration of transfer. This change recognized that transfer processes were complex and took too long to implement, which delayed the developers' access to payment. As a result, the registration of deeds for subsidy properties has progressively declined since 2003. In 2009, only 23.4% of all subsidised properties reported as having been delivered were formally registered in the deeds registry. This was a slight improvement on the low of 16.4% registered in 2007.

Correcting this situation is no small task. The Urban LandMark study recommends two specific areas of intervention: improving the registration processes in new subsidy housing projects and resolving the issue of the backlog of properties that are not registered.

There is a strong case for re-introducing financial and administrative discipline into the low income housing development process, even if this slows down development initially. The sequential phasing of development should be re-instated so that it is not possible to commence the development of the housing until registration has occurred. The final payment should not occur until title deeds have been provided to beneficiaries.

Where registration has not occurred a registration backlog eradication plan is needed, urgently. This should include a dispute resolution process to address disputed claims, along the lines of the successful Discount Benefit Scheme model applied in Gauteng between 1993 and 2003, which resulted in some 216,000 deeds being registered in ten years.

Further, consideration should be given to establishing a more immediate, more affordable administrative system to record land rights and transactions, to supplement the existing Deeds Registry system and to make it more accessible to residents. This system must retain administrative clarity on who owns a property, but allow ownership to be registered at accredited provincial or municipal administered property registers, that are more localised and accessible. Consideration should be given to rationalising the need for clearance letters and electricity compliance certificates. We could even consider a system where sellers and buyers themselves process transactions without reliance on conveyancers.

The high levels of title uncertainty and informality in subsidised housing undermine the deeds registration system and could destabilize the effectiveness and credibility of the title registration system across all residential property title in South Africa. Unless something radically different is introduced, both for new properties being developed and to address head on the backlog that exists, the problem will worsen and soon reach a point where it is beyond repair.

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Background to Urban LandMark

The Urban Land Markets Programme, or “Urban LandMark” is a think tank dedicated to making urban land markets work better for poor people. We aim to influence policies and practice in southern Africa by investigating and promoting sustainable ways to access affordable urban land. Secure access to land and participation in the market are key building blocks for poverty alleviation and wealth creation. The state, civil society and the private sector need to each devote themselves to achieving urban inclusion and integration if sustainable cities and towns are to emerge in what is recognised as the fastest urbanising region in the world. Addressing land and property issues is at the heart of achieving a better urban future.

Urban LandMark was established in 2006 with core funding from the UK’s Department for International Development.

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