

Social Housing Foundation / Urban LandMark

Small-Scale Rental (SSR): A 'quick-win' accommodation opportunity for a depressed housing market

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1. Background

- SHF – ULM study into ‘Informal rental / backyard rental / shack rental’: final phase
- Study incorporated:
 - Strategic literature review & assessment (V Watson)
 - Landlord/tenant focus groups (Social Surveys)
 - Focus Groups
 - Household Rental Report (Carey),
 - Strategy (Gardner)
- Most comprehensive study into small private dwelling rental in SA history
- Opportune timing: Seeking alternatives for rapid delivery

2. Definition: Small-Scale Rental (SSR)

- Incorrect definitions lead to misrepresentation, misinterpretation & misaligned strategy, e.g.:
 - informal / slum / shack / second dwelling / household / backyard / room / illegal
- Must separate delivery system from objective accommodation outcome & subjective quality descriptors
- Core elements of a universal definition:
 - Small scale, local-level production
 - Recognized, privately-held land (owned, tribal, rented but not illegal)
 - Managed by private individuals or households
 - Rented to separate individuals / households (monetary exchange)
- Excludes: informal settlement, social housing, Corporate rental, inner-city accommodation, hostels
- Focuses strategy on potential of delivery system, not on perception of negative outcomes.



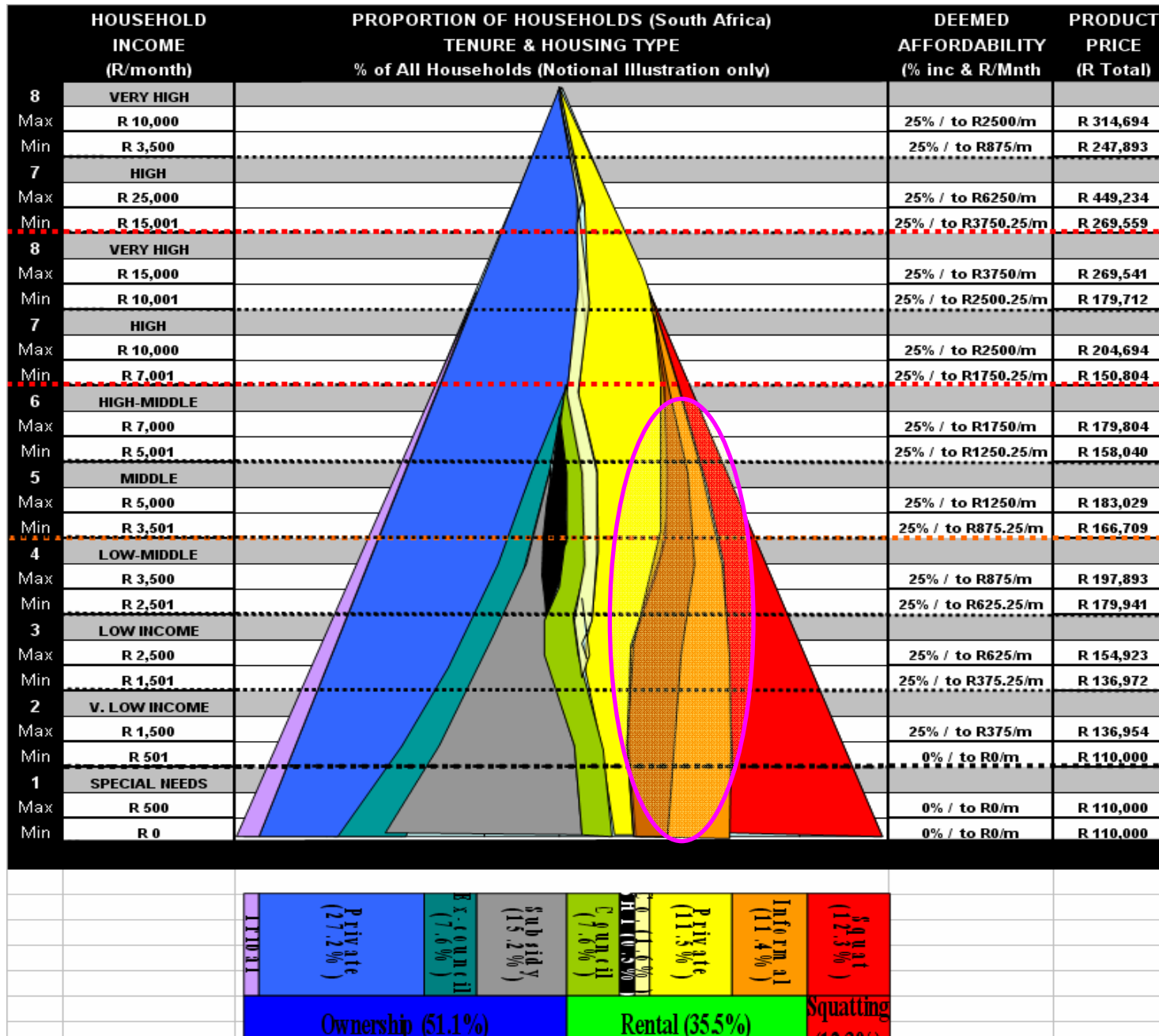
2. Problem Definition

- 15 years of post-apartheid human settlements strategy provides clear direction for the future:
 - Greater rate & scale of accommodation production required: RDP, Social Housing, CRU delivery not enough and not meeting needs
 - Affordability constraints still exist – in fact, are significantly worse
 - Distortions in the accommodation market above AND BELOW subsidised housing market: our ‘housing ladder’ has multiple broken rungs
 - Land & services provision challenges within local governments, along with medium-term budgetary constraints on housing subsidies
 - Insufficient accommodation options for smaller households
 - Densification still a pipe dream
- In a buoyant economy, we were not doing enough i.r.o affordable rental accommodation & accommodation for smaller households, and were hitting the boundaries of current policy
 - Lack of primary accommodation production leads to cross-submarket pressures
 - Budgetary constraints impact on rate & scale of subsidised housing delivery
- Depressed economy affects all accommodation markets and makes situation worse.
 - ***But it does create opportunities to look elsewhere for solutions***

3. Taking Stock: what we have

- Massive reservoir of existing, proclaimed, well-serviced, low-density freehold suburbs and townships
- Large number of landowners who are potential willing landlords, many with 'dead capital'
 - push pressures (rates, services charges, maintenance) and pull factors (income generation)
- Massive accommodation demand from low-income households: temporary, well-located, affordable, acceptable accommodation.
 - A new demographic trend in respect of household structures & sizes: 1, 2 and 3-member households predominate
- A government desperate to deliver accommodation, densify, leverage existing capital investments, create economic opportunities, create functioning housing markets
 - Hostile approach and policy environment to SSR

3. SSR in Relation to SA Housing profile



3. Statistics (with caution!)

- SSR accommodates approximately 10% of all SA households (850 000 + households)
- 35% of all SA households that rent are in SSR. Only delivery system creating substantial volumes of:
 - Rental accommodation affordable to households earning below R3 500 per month
 - Accommodation for intermediate and smaller-sized households
- Average rentals (2008) are R150 (informally constructed units) and R300 (formally constructed units), but are spread across the affordability spectrum
- 53% of SSR units are formally constructed (houses, flats, cottages, rooms).
- Formally constructed SSR is fastest growing sub-sector (83% growth 2002-06). This equates to 33 500 units p.a. average
- No direct state support, 100% private initiative & capital, hostile policy & planning environment

4. Characteristics

- Multiple Zones:
 - low, mid and high income, low-med density neighbourhoods
- Complex Continuum of Outcomes
 - Sizes & built forms (houses, cottages, dwellings, garages, rooms, lofts, tenements)
 - Prevalence & Density: varies per area
 - Spatial Standards: small to large
 - Built Form: informal to formal
- Tenure Security: self regulation
 - Landlord / tenant conflict comparable to other rental markets
- Demographics: Small household sizes
 - 33% single, 33% double, 33% 3 or more
 - in line with SA housing demand statistics
- Meets need for intermediate, rented housing options:
 - young households, single people, circulatory migrants, temporary needs, etc
- Rental Payments: mostly cash but also in-kind

5. Preconditions (Supply / Demand)

- Willing Landlord (Supply)

- Recognized title & holder (secure tenure for owner or renter)
- Access to basic services (water, sanitation, electricity)
- Space (room or yard space for horizontal or vertical expansion)
- Capital for Construction (mostly landlord, occasionally tenant)

MDGs

- Willing Tenant (Demand)

- Location Characteristics
- Accommodation need
- Suitable demographics / household structure
- Disposable income for rental

- Official Recognition (depending on area)

Large number of existing properties in low(er)-density housing areas in which these preconditions are met offer the greatest latent human settlement potential in South Africa.

Potential short-cut (time and capital) for rapid settlement development

6. Motivation for SSR Strategy as a part of SA Human Settlements Policy

- Polarised views: ‘good’ vs ‘bad’ outcomes.
 - Engagement must be based on underlying possibilities
 - SSR can provide affordable, appropriate, acceptable, adaptable and desirable accommodation
- State must engage with SSR:
 - Limitations of current settlement policies: quantitative & qualitative constraints, market distortions (above & below subsidised housing), spatial outcomes, lack of tenure variety
 - SSR is a significant accommodator of low income households & safety net for marginalised households: requires formal recognition
 - Meets need for intermediate accommodation options for smaller households: SA needs 400 000 accommodation opportunities for single people, 400 000 for 2-member households & 400 000 for 3+ person households
 - Meets many sustainable settlement/urban development principles: rental tenure, better locations, densification, use of existing investments, economic opportunities, realise value of subsidy houses
 - Significant potential benefits to state: re-defining ‘backlog’, ‘quick-win’ delivery, fiscal benefits,

SSR offers scope for rapid delivery of affordable, appropriate, acceptable, adaptable and desirable accommodation with significant private investment & low public investment, while meeting key human settlement principles

6. Towards an SSR Strategy

- No existing national policy or programme explicitly recognises or deals with SSR. Disparate Provincial, Metro & Local-level attempts.
- Multiple references to principles that support engagement with SSR in strategy:
 - BNG, Sustainable Settlements, provincial (WC & Gauteng), metro housing strategies
- Recognise unintended & undesirable implications of intervention in existing (self-regulating) market, especially in respect of displacement & gentrification:
 - housing ecosystem / housing ladder indicates displacees will be worse off

Focus on creation & delivery of new intermediate, affordable private rental stock, not on eradication or gentrification of existing stock

6. SSR in relation to Human Settlements Policy

- UN Habitat
- MDGs
- BNG & NHSS
- ISUP
- Social Housing & CRU Policy
- Sustainable Human Settlements
- Provincial & Metro strategies are taking the lead, but lack coherent framework

Current need to find rapid delivery approaches, and proposed review National Rental Strategy is an ideal opportunity to incorporate SSR into national policy framework

6. SSR Strategy Principles

- National Settlement Strategy must focus on opportunities for the rapid creation of new accommodation opportunities, within prevailing budgetary limits.
 - Focus on potential, not undesirable outcomes as with other strategies (inner city, informal settlement, hostels)
- SSR offers greatest potential of all possible delivery systems
 - Comprehensive SSR strategy proposed.
 - Recognise role, fragility and potential of sector.
- Open debate on rational approach to defining minimum accommodation standards:
 - negotiated over 15 years ago, in different socio-political climate. New evidence indicates need for revised approach: household structure, affordability state budgets, settlement market dynamics, urban development imperatives

The conclusive motivation for building SSR into national settlement strategy must be to harness its potential, not to weaken its delivery ability through Ad-hoc interventions

6. SSR Strategy Principles

- Ground SSR strategy in acknowledged human settlement principles, including:
 - Housing as instrument of development of sustainable human settlements
 - Compact city, spatial restructuring, integration, location & densification
 - Tenure & product mix
 - Leveraging & gearing existing state investments in housing and infrastructure with private sector investment
 - Reducing cost per household of accommodation provision
 - support functioning of total property market to reduce duality, unlocking 'dead capital'
 - Accelerated delivery for poverty alleviation
 - Housing as job / entrepreneurial creation opportunity
 - private sector engagement in accommodation provision
 - wealth creation & empowerment
 - leveraging growth
 - promoting social cohesion
 - improving quality of life for poor

6. SSR Strategy: Three Thrusts

- First, dealing with national realities, norms and standards.
 - Recognise need for new approaches to meet MDG & sustainable human settlements objectives (rate, scale, intermediate needs, rental tenure)
 - Recognise opportunities for leveraging existing state investment in human settlements
 - Recognise demographic profile of accommodation demand
 - Recognise progressive realisation of tenure, services, accommodation
 - Recognise acceptability & desirability of intermediate accommodation options & role in meeting MDG targets
- Second, acceptance & support for SSR sector as NB housing sub-market.
 - Pro-active stance towards existing SSR stock and role it plays
 - Recognition of harmfulness and futility of 'slum clearance' & gentrification / displacement
 - Outline approach to standards / dealing with 'slum conditions' within co-ordinated local government sustainable human settlements strategy
 - Alignment of SSR Strategy & other human settlement policies ('level playing fields')
- Third, engagement with SSR delivery system to promote & support rapid development of new, acceptable SSR accommodation within existing settlements
 - Review of Primary Delivery Systems (Code) to 'formalise' and enhance SSR opportunities
 - National SSR Strategy, supported by 'Densification Support Programme'. Focus on state investments to leverage engagement of small-scale private sector operators to deliver financially viable SSR accommodation through private financing channels.
 - Metro / Municipal requirements for planning, infrastructure investments, new settlement design
 - National Pilot Projects to test SSR Strategy in different situations: existing subsidised & non-subsidised areas, newly-planned developments, engage with HMF & alt technologies.

7. Elements of a SSR Strategy & Policy

- Institutional Requirements:
 - Definition of roles: national, provincial, local
 - Allocation of responsibilities & supports
 - Extension of current policies e.g. BIG
- Facilitative Mechanisms
 - Settlement planning & design
 - Settlement development methodology
 - Municipal controls (TPS,
 - Access to on-site services
 - Infrastructure Capacity
 - 'Supply Chain' Support Programmes (plans, approval processes, BoQs, costings, inspections, connections, metering)
 - Housing Support
 - Access to finance (HMF)
- State Investment
 - Direct Support? Supply-side
 - Densification Incentive Grant in identified areas?
 - Maintenance & upgrade of existing infrastructure
- Pilot Programmes: defined zones:
 - Existing areas (high & low density, with & without SPD)
 - New settlements (subsidised & unsubsidised)

8. Way Forward

- SHF / ULM
- DoHS
- Provinces
- Local Governments
- Pilot Projects: subsidised & private markets
- Private Sector: supports & strategies