

# Housing Co-operatives in South Africa: Presentation to the ICA Housing Seminar and Round Table



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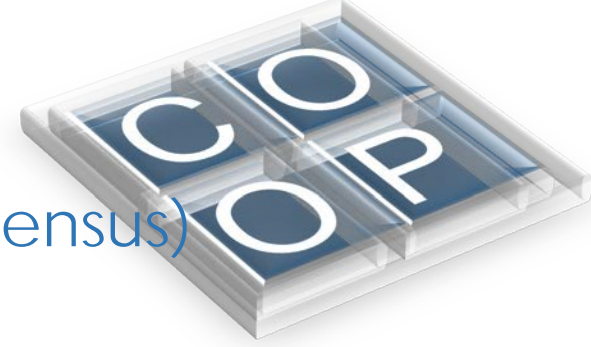




# Outline

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- Housing in South Africa
- Role of of housing co-ops
- Examples and types of housing co-ops in South Africa
- Funding for housing co-ops in SA
- Issues/challenges of housing co-ops in the SA context
- Current status – development of a co-operative housing policy in SA
- Way forward



# 1. Housing Stats in South Africa 1 (2011 Census)

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- 51.7m people live in South Africa
- There are 14 million households of which:
  - 77% live in formal dwellings,
  - 8% in traditional and
  - 14% live in informal dwellings
  - 1% other



# 1. Housing Stats in South Africa 2

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- 53% of households (7,7million) own their dwelling
- 25% (2,7 million) are currently renting their primary dwelling.
- 19% of households occupy the accommodation they are in, but do not own it or do not pay rent
- 3% other\*
  
- There are approx 45,800 non profit subsidised rental units
  
- 21 Housing Co-ops have developed approx 2000 subsidised co-operative housing units – all developed since 1994

\* (Census 2011)



# 1. Housing Stats in South Africa 3

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- Nearly 20 years since democracy:
- 91.2% of the population now have access to piped water
- 84.6% have access to electricity
- 90.6% have access to a flush toilet  
(there are provincial differences: 12.7% of the population in the Eastern Cape do not have access to a flush toilet compared with 1.1% in Gauteng)\*
- Government has completed/in process 3.2 million houses for poor families
- There is still a housing backlog of approx 2.1m houses  
\*(Census 2011)



## 2 Role that Co-ops can play in SA (1)

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- Co-operatives are key to South Africa's developmental goals
- There has been a long tradition of co-operation in South Africa
- The Human settlement process is meant to be participatory & decentralised
- The Department of Trade & Industry are committed to aid and grow the sector
- Capital Subsidies are available from government for alternative housing options other than ownership
- However there is a need for sustainable solutions



## 2. Role that Co-ops can play in SA (2)

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- Affordable ownership (collectively or individually), or rental
- Long term security of tenure
- Resident control of their housing environment
- Community empowerment
- Housing Development
- Housing (property owning)



### 3. The Co-operative Act 2005 defines:

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- a co-operative as "an autonomous association of persons united voluntarily to meet their common economic and social needs and aspirations through jointly owned and democratically controlled enterprise organised and operated on co-operative principles."
- A housing co-operative is defined as "a primary co-operative which provides housing to its members or a secondary co-operative that provides technical sectoral services to primary housing co-operatives"



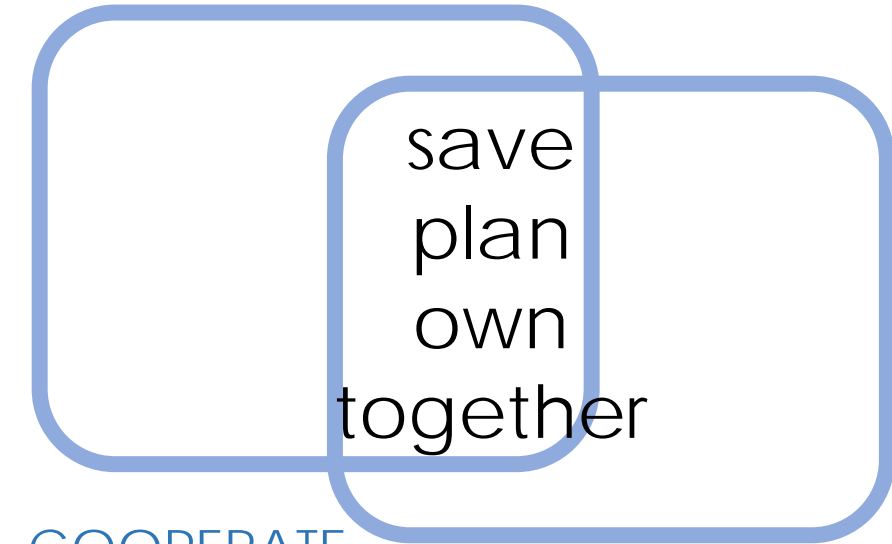


### 3. Types of Housing Co-operative (1)

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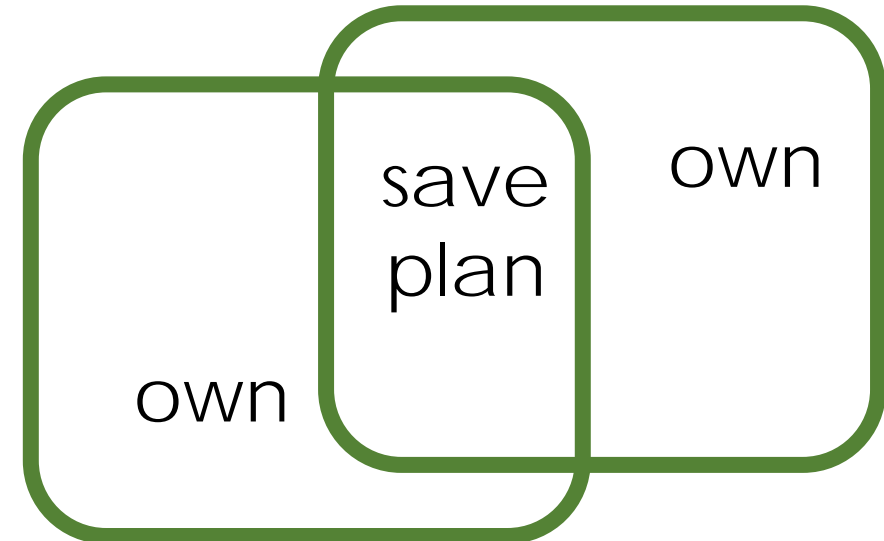
- **Housing (Development) Co-operatives**  
vehicle for member savings, for channelling subsidies and building houses; individual member takes ownership (via PHP). Ownership only on completion
- **Housing Property Owning Co-operatives: continuous co-op**  
(collective ownership) based on a use agreement for occupation. Collective responsibility for management of units

### 3. Types of co-operation (2)



COOPERATE  
THROUGHOUT  
HOUSING  
PROCESS

COOPERATE  
TO OWN

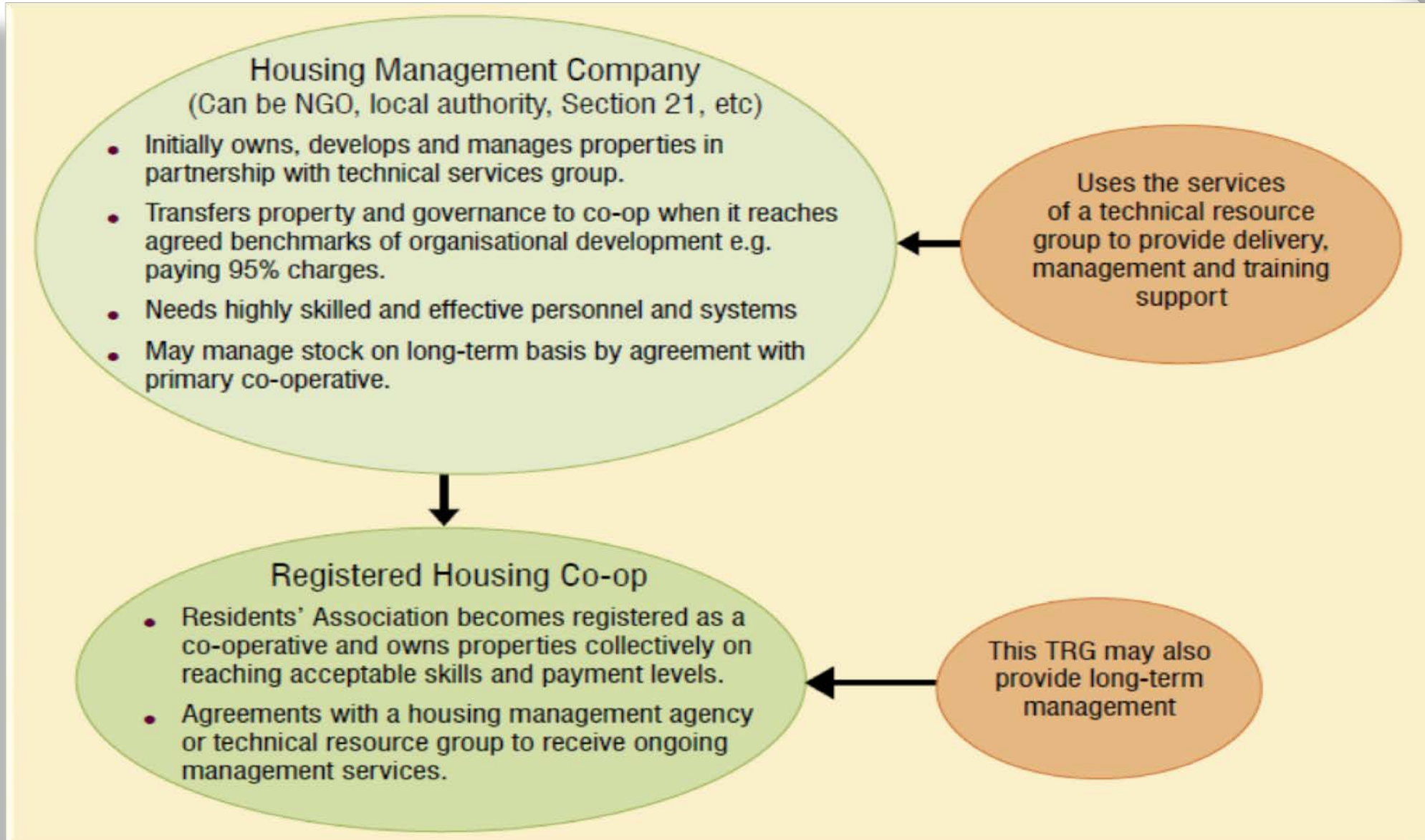


COOPERATE  
IN INITIAL  
HOUSING  
PROCESS BUT  
INDIVIDUAL  
OWNERSHIP



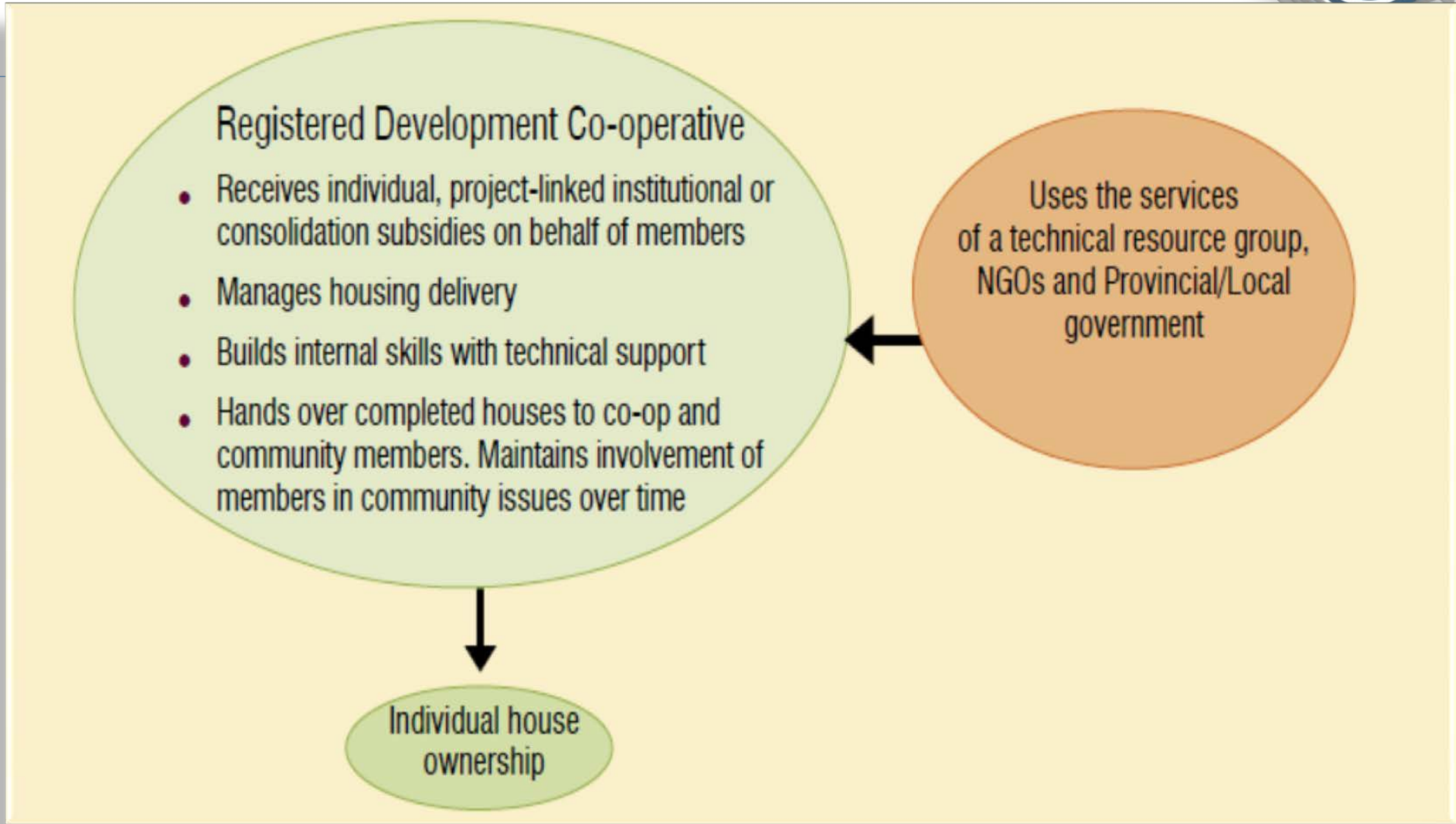
# Collective Ownership & Long-term Management Model 1

(Emerging Co-operative Housing Models in South Africa, SHF)



# A Development Co-operative Model (2)

(Source: Emerging Co-operative Housing Models in South Africa, SHF)





## 4. Current funding mechanisms for Housing Co-ops in SA: (1) People's Housing Process

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- Housing co-operatives such as **Masisizane** in Midrand and **Illinge Labahlali** in Cape Town have successfully developed housing units using this method as the housing co-operative can take the role of the Community Resource Organisation that helps facilitate the necessary savings schemes and the subsequent development. Funding via PHP subsidy helps to pay for offices and staffing of the CRO/co-operative whilst the development is taking place.



## 4. Funding mechanisms: (2) Institutional Housing Subsidy - rental

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- The institutional subsidy mechanism caters for many of the issues that a co-operative might want to include and is a suitable instrument for the development of :
- 1) Rental stock (**Welcome Zenzile**, Better Buildings upgrading in City of Johannesburg)
- 2) Individual units for collective ownership, via the PHP mechanism, as in the case of **Ilinge Labahlali**
- 3) Individual units for collective ownership to be sold to members after 4 years (the **Amalinda project**)



# Challenges with the “rental” model

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- The Cope (Norwegian “mother/daughter” (secondary/primary model) proved to be too complex and failed in the South African context (Cope, ELHMC).
- The model assumed that residents would easily adapt to responsible self-management but this underestimated the strong desire for individual ownership, and the desperation to access housing independently of the system of joint ownership, management and participation
- The mother/daughter model requires high start-up costs and an ongoing income to pay for the management services provided by the Housing Management Company



## 4. Funding mechanisms: (3) the new Social Housing Grant

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- Without substantial support it is unlikely that housing co-ops would be able to meet the stringent criteria in order to access Social Housing Grant(s) – especially as they are to compete with the private sector
- Social Housing is only rental & does not allow for individual members to gain from the subsidy (the unresolved issue of the “exit payment” - synergy with the SH Act & Housing Code
- The Social Housing Regulatory is looking at the issue





## 4. Support given to Housing Co-ops in SA since 1994

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- SHF (Social Housing Foundation)\*
- CHF (Co-operative Housing Federation)\*
- COPAC (The Cooperative and Policy Alternative Centre)
- uTSHANI FUND
- Afesis Corplan
- Rooftops Canada\*\*
- NBBL\*\*
- SCC (Swedish Co-operative Centre)?\*\*

\* now closed

- \*\*No longer involved in Co-operatives in South Africa

# 5. SWOT Analysis (1)

## Strengths

- The co-op members
- Houses could be cheaper &/or bigger; members contribution
- Meets local needs
- Resident involvement in design

## Weaknesses

- Lack of skills of members & leadership
- Lack of support organisations with skills and experience & continuity
- Lack of management resources and capacity.
- Lack of finance
- Long term, continuous, support required

# 5. SWOT Analysis (2)

## Opportunities

- Training and empowerment of volunteers/co-op members
- Vehicle for housing across a range of delivery options that currently exist within the housing sector
- Real estate owned by housing co-operatives or associations is less subject to speculation
- If “rental” housing co-ops could be made to be sustainable, then housing co-ops could open up another alternative for low income people
- Development potential of primary co-ops

## Threats

- Lack of proper planning of projects and the development of implementation plans
- Low level of sophistication of members regarding the management of finances exposes them to exploitation and fraud
- Not paying levies to ensure the long term sustainability of the co-op
- Lack of experience in co-ops of working democratically and problems of factionalism



## 6. The National Dept of Human Settlements is developing a housing co-ops policy to:

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- Enable housing co-operatives to take part in the housing delivery process & give resident control over their housing environment
- Achieve the government's aim of providing diverse housing options and help to create sustainable housing communities.
- Needs to be complimentary to all other existing policies relevant to the Department.
- Facilitate the provision of secure, stable rental and ownership tenure for lower income persons
- Complimentary to the government's current Institutional, Social Housing, programmes, Enhanced PHP and possibly the Rural Housing and Informal Settlement Upgrading programmes
- Support the development of a co-operative sector alongside the public and private sector



## 6. Funding arrangement required

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- Government makes provision for capital subsidies and grants to housing co-operatives. For medium and high density housing additional mortgage bond finance is needed.
- Beneficiaries must have a sufficient income to cover the resulting monthly rental or user charges. They must also meet certain income criteria as set out in the National Housing Code
- Extensive facilitation and capacity building funding is required to ensure that the communication and participation processes are included in the development process and for the on-going sustainability of the co-operative.



## 6. Institutional arrangements required

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- State assisted human settlement development is not a centralised function in South Africa, and with the new Accreditation framework responsibility is being devolved to municipal level.
- Municipalities, Provinces and National government: capacity building
- Other State Agencies:  
SHRA  
DTI  
NURCHA  
SEDA
- Other Support agencies: SAHCA, NCASA, Trade unions etc



## 7. Way Forward

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- Refinement of a co-operative housing policy that needs to take account of:
- If housing cooperatives are to grow and be sustainable, more emphasis needs to be given to the capacitation of the organisation or building of the organisation. Municipalities, Provincial Departments and other sector role players, must also be capacitated to ensure continued support of cooperatives. Housing co-operatives cannot be viable and sustainable without extensive support.  
(Development Action Group. Cape Town)