

**Towards increasing the scale of co-operative housing delivery: Lessons from
the Troyeville Co-operative Housing Project within the Johannesburg
Municipality**

A DISSERTATION SUBMITTED IN PARTIAL FULFILMENT OF THE REQUIREMENTS
FOR THE DEGREE OF A MASTER OF HOUSING IN THE SCHOOL OF BUILT
ENVIRONMENT AND DEVELOPMENT STUDIES.

BY

NOLUTHANDO S. NTSHANGA

UNIVERSITY OF KWAZULU-NATAL

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Declaration

I *Noluthando Ntshanga* hereby declare that this dissertation is my own unaided work except where otherwise acknowledged in the text and that it has not been submitted in whole or part, or for any examination or degree at any University. This dissertation is submitted to the School of Built Environment and Development Studies, Howard College Campus, University of KwaZulu-Natal, in partial fulfilment of the requirements towards the Degree of Masters of Housing.

Signature:

Supervisor: Mr Vincent Myeni

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Abstract

In response to the current housing backlog of approximately two million units for both low and middle-income earners, the democratic South African government has adopted different approaches and instruments to deliver affordable housing. One is the co-operative housing model. Co-operative housing is an alternative tenure option to individual ownership and rental; it enables collective ownership for urban households with a monthly income of R1 500 - R7 500 which is slightly different from the income groups (R2 800 – R3 500) accommodated by the pilot projects. This study examines the co-operative housing model in South Africa generally and the extent to which it has been employed by the Johannesburg Municipal authorities to deliver affordable housing to the low to middle-income earners within its area of jurisdiction. Lessons are drawn from the pilot projects delivered between the mid-1990s and early 2000s across South Africa.

Given that post-apartheid housing policies recommend the use of co-operative housing, the study explores the development ideologies which influence these policies. Furthermore, the conventional approach to housing delivery is examined as one of the approaches that recognise co-operative housing as a formal strategy to build habitable and high quality homes. The co-operative movement is also analysed as a concept that had a significant influence on the co-operative housing sector. The concept of co-operatives traces its roots to the principles adopted by the International Co-operative Alliance (ICA) that govern co-operatives across all economic sectors at an international level, including South Africa. International and local experiences of co-operative housing are analysed and discussed in order to establish its strengths and weaknesses.

The evolution of the co-operative housing sector with reference to housing policies and the legislation that supports and strengthens its delivery is explored. This lays the foundation for an understanding of the history of co-operative housing delivery and the formation of the Troyeville Housing Co-operative as one of the pilot projects. The historical background of the case study – the Troyeville co-operative housing project - is examined in order to ascertain the practical experience of the delivery of the co-operative housing model. The researcher found that the co-operative housing model has not been vigorously pursued as an alternative tenure option for affordable housing by the Johannesburg local authorities responsible for housing policy implementation. This is due to the challenges experienced during some of the pilot projects as well as political interference, a lack of understanding of the concept, and hasty implementation of the model. Mass housing delivery and rental social housing are preferred over co-operative

housing because the local authorities are under pressure to address the housing backlog. These challenges can be addressed if advocates for the model help the existing housing co-operatives to move forward and be independent. The study thus offers recommendations based on the lessons learnt from the Troyeville co-operative housing project in order to promote the successful and sustainable delivery of co-operative housing.

List of Acronyms

COPE HA	– COPE Housing Association
BNG	– Breaking New Ground
CBO	– Community Based Organisation
COJ-IDP	– City of Joburg – Integrated Development Plan
COJ–2040 GDS	– City of Johannesburg – 2040 Growth and Development Strategy
DOHS	– Department of Human Settlements
GDLGH	– Gauteng Department of Local Government and Housing
HWP	– Housing White Paper
ICA	– International Co-operative Alliance
IDP	– Integrated Development Plan
LHD	– Local Department of Human Settlements (Municipality)
PDOHS	– Provincial Department of Human Settlements
NDOHS	– National Department of Human Settlements
NGO	– Non-Governmental Organisation
NHBRC	– National Homebuilders Registration Council
NHFC	– National Housing Finance Corporation
NPO	– Non-Profit Organisation
NURCHA	– National Urban Reconstruction and Housing Agency
SHA	– Social Housing Act
SHP	– Social Housing Policy
SHRA	– Social Housing Regulatory Authority
THC-BOD	– Troyeville Housing Co-operative – Board of Directors
TCHP	– Troyeville Co-operative Housing Project

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Chapter 1: Research Introduction and Research Methodology

1.0. Introduction

When the Government of National Unity came to power in 1994, it aimed to heal the South African nation from the ills of the past. These ills included unfair, racially-based urban policies, spatial inequalities, skewed income distribution, a lack of role-players with expertise in adequate and affordable housing, and households that lack security of tenure. Furthermore, the uncontrolled expansion of informal settlements, poverty, visible rural-urban housing segregation and homelessness and unemployment has compounded the challenges (Wilkinson, 1998; Tomlinson, 2001; Tissington, 2011). Accelerated delivery of subsidized housing was amongst the many policy tools adopted by the post-apartheid government to be used to curb the housing backlog. This was perceived as a potential mechanism to bring about social order and grow the economy by integrating communities/society, increasing community participation and involvement in the housing delivery process, providing tenure of security, creating job opportunities, transfer of skills, and stimulating entrepreneurial development, to name but a few (Department of Housing, 1994).

However, since 1994 housing delivery has been challenged by numerous negative factors/ills, abovementioned, inherited from the apartheid government. In order to address the social and economic ills of the past, the post-apartheid government adopted urban policies aimed at abolishing the injustices of past planning systems. The Housing White Paper (HWP) of 1994 was amongst the first post-apartheid policies. It recommended the use of different housing delivery approaches and instruments, which included owner-occupier low-cost housing (Reconstruction and Development Programme (RDP), informal settlement upgrading, the people's housing process, social housing model and co-operative housing model (Department of Housing, 1994).

The main objective for the various approaches and instruments was to meet different needs of the disadvantaged population, mostly blacks and the unemployed. The disadvantaged population was classified as people who could not afford to buy houses or participate in the housing market; i.e. initially households earning R3 500 per month or less, and currently households earning R7 500 per month or less. Furthermore, the Housing White Paper also sought to address the housing backlog through the speedy delivery of adequate and affordable housing in urban and rural areas and to create integrated, sustainable and well-functioning human settlements. Furthermore strategically position lower-income housing in well-located areas close to educational facilities,

social amenities and economic opportunities. Importantly, it was envisaged that this would involve a vast spectrum of role-players, including public-private sector partnerships at various levels of government, the private sector, communities and Community-Based Organisations (CBOs), Non Profit Organisations (NPO) and Non-Governmental Organisations (NGO) amongst others (Department of Housing, 1994; Mackay, 1999; Huchzermeyer, 2001; Tomlinson, 2001; Tissington, 2011). Subsequent housing policies and legislative frameworks have been geared towards achieving these objectives. When the implementation of post-apartheid housing policy commenced in the mid-1990s, the democratic government focused on one of its housing delivery approaches, owner-occupier low-cost housing. Given the high levels of homelessness and inadequate housing, the government set a target of one million houses within a period of five years using project-linked subsidies (Department of Housing, 1994).

Jones and Datta (2000) observed that, government did not have sufficient capacity and funding to deliver housing according to the set target. Two years down the line, less than 15 000 houses had been built. The government thus explored other tenure options and sought to involve other role players to increase the supply of adequate and affordable housing in urban areas especially due to increasing population. In Johannesburg, the co-operative housing model was encouraged as it provided a collective tenure option, and involved NPOs, also known as housing co-operatives (Rust, 2001; Tomlinson, 2001; Huchzermeyer, 2001). This study focuses on co-operative housing model as one of the delivery instruments recommended by post-apartheid housing policies for affordable housing within urban areas. The co-operative housing model as a tool to deliver houses in South Africa was formally adopted in 1997. It is regarded as 'grey' area in the housing sector because its growth has been slow. There have been few, if any, co-operative housing projects and housing co-operatives in most municipalities (Jimoh and Van Wyk, 2010).

This suggests that this sector is confronted by challenges that hinder successful delivery. This study is therefore relevant as it aims to examine the co-operative housing model in general, and unveil the challenges preventing this sector from flourishing. The study will also make recommendations on further research with regard to the delivery of such housing as well as principles that could promote an increase in the scale of delivery of co-operative housing. The Troyeville co-operative housing project located within the Johannesburg Municipality was chosen as a case study to draw lessons, since it is still one of the existing pilot projects.

1.1. Research Problem

The co-operative housing sector was conceived in 1994, through the Collective Ownership Housing Subsidy Strand as per the requirements of the Housing White Paper. The Collective Ownership Housing Subsidy aimed to facilitate the application of co-operative housing models through which individuals acting in co-operation with one another on a collective basis would access appropriate housing (Department of Housing, 1994). After 1995, the National Housing Subsidy Scheme was established to achieve the implementation of the first housing policy. This led to the Collective Ownership Housing Subsidy Strand being collapsed and grouped with the Social Housing and Rental Housing Subsidy Strands to form one strand currently known as the Institutional Housing Subsidy (Department of Housing, 1994; Wilkinson, 1998). The Institutional Housing Subsidy serves as an incentive to promote and enable the delivery of adequate and affordable housing under the social housing or co-operative housing model (Tissington, 2011).

Affordable housing can be collectively owned, or purely rental, and caters for low- to moderate-income households earning between R1 500 and R7500 per month. Households who earn below R3 501 are accommodated on condition that they can afford the monthly rents (Tissington, 2011). Previously during the delivery of the pilot co-operative housing projects was limited to low-income earners (R2200 - R3500) who could afford paying the monthly rent. Currently the social and co-operative housing models are acknowledged under the Social Housing Programme and exclude immediate ownership (Department of Housing, 2005). Refer to table 1.1 for a summary of the various affordable housing tenure options grouped under the Social Housing Programme. The development of the co-operative and social housing sector in the mid-nineties was motivated by the need to find new solutions to the housing problem in South Africa (Fish, 2003).

Low- to moderate-income households were often excluded from the housing market because they could not afford to pay market-related prices for housing (Department of Housing, 2005). Furthermore, these households did not qualify for fully subsidized houses or meet the requirements to obtain housing credit through formal financial institutions. Thus housing obtained through the social and co-operative housing models was tailored to be affordable for such income groups (Fish, 2003). Housing co-operatives function in a similar manner to social housing institutions; both are accredited institutions that deliver, maintain and manage housing projects. However, the co-operative housing model allows the entity to own the housing project and hold it under the entity's name as a valuable asset. In addition the housing co-operative can use its housing project as collateral to acquire loans for any business ventures the entity might want to do (Department of Housing, 2005).

Table 1.1: Social Housing Programme – Various Affordable Housing Tenure Options

Tenure Option	Developer/Owner* (Main Actor)	Residents' Rights over Housing Project	Residents form of payment(s)
Co-operative (Collective Ownership) Housing Model	Housing Co-operative Members are owners in the form of shares which are linked to the housing unit. The members can only have individual ownership of the housing units when the organisation is dissolved and sectionalised.	Housing co-operative members have exclusive and private use of the units, on conditions such as participation and fulfilling their responsibilities as described in the right of occupancy agreement they sign before moving into the unit.	Housing co-operative members pay for their membership, their share capital, and monthly operational fees for management and maintenance purposes.
Rent - to – Buy Housing Model	An accredited housing institution (excluding housing co-operatives) owns the housing project.	Residents have exclusive and private use of the units for the term of the lease	Residents pay a monthly rental for an agreed time frame and at the end of this time frame the person has the right to purchase the unit.
Rent- to – Own Housing Model			Residents pay a monthly rental but a proportion of the rent goes towards purchasing the unit. When the tenant has paid off an agreed amount within the agreed term, the housing unit transferred to the individual who becomes the owner.
Rental (Lease) Housing Model		Residents have exclusive & private use of a unit for the term of the lease	The tenant who occupies the unit enters into a lease agreement with the institution who owns the housing project. If the tenant leaves the unit, they do not get any money back.
Share-Block Housing Model	The company (which is controlled by the residents who have purchased shares) owns the housing project for a minimum of four years.	Residents have exclusive and private use of the units for as long as the company is fully functioning and exists	Residents pay for their shares of the company and levies every month.
Instalment Sale Housing Model	An accredited housing institution (excluding housing co-operatives) owns the housing project.	Residents have exclusive and private use of their unit and will then be transferred for ownership after a minimum of 4 years.	Residents pay a monthly instalment fee and levy which contributes towards the costs of the housing project.

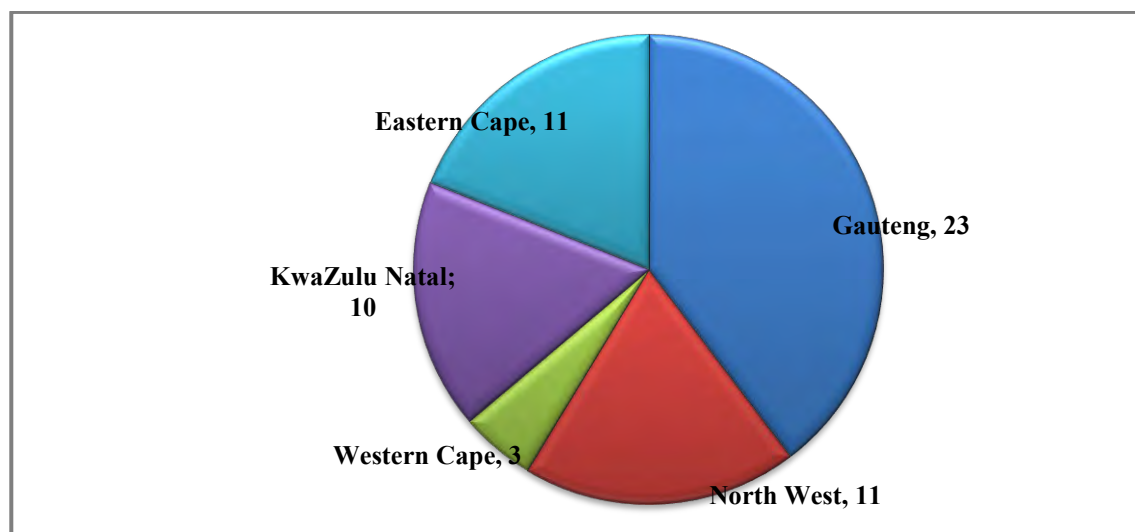
*** The developer is the main actor for mobilizing the delivery of the housing stock and the owner is responsible for maintenance & management of the housing project.**

Source: SHF, 2000; Fish, 2003; Eglin, 2007b

Housing co-operatives are envisioned as both providing housing for their members and business ventures that provide incomes for its members and neighbouring residents through the jobs provided prior, during and post construction. Therefore such housing can be used as a strategy to reduce poverty and unemployment in the short and long term. In 2004, the Breaking New Ground (BNG) policy document acknowledged co-operative housing as an important housing delivery instrument which could provide adequate, affordable and medium-density housing that is collectively owned. Following the introduction of the BNG, the Social Housing Policy (SHP) was adopted in 2005 to strengthen the delivery and development of housing under the social housing programme in South Africa. The Co-operatives Act (Act no. 14 of 2005) was also promulgated in 2005 to strengthen the co-operative movement in South Africa and to confer legal status on co-operatives across all economic sectors, including housing as non-profit enterprises.

However, the co-operative housing model remains side-lined and is not vigorously pursued in Johannesburg or other municipalities in South Africa. Matsela cited in Jimoh and Van Wyk (2010) found that by 2010, a total of only 58 housing co-operatives existed in five provinces in South Africa (see figure 1.1). Gauteng province, of which Johannesburg is the capital city, had only 23 established housing co-operatives (Jimoh and Van Wyk, 2010). Furthermore, the previous Cope HA Project Leader (2012) confirmed that there are only three known operational co-operative housing projects in Johannesburg which were delivered as pilot projects; the Troyeville Co-operative Housing Project, Bertrams Co-operative Housing Project, and the Masisizane Women's Co-operative Housing Project.

Figure 1.1: Total Number of Housing Co-operatives in South Africa

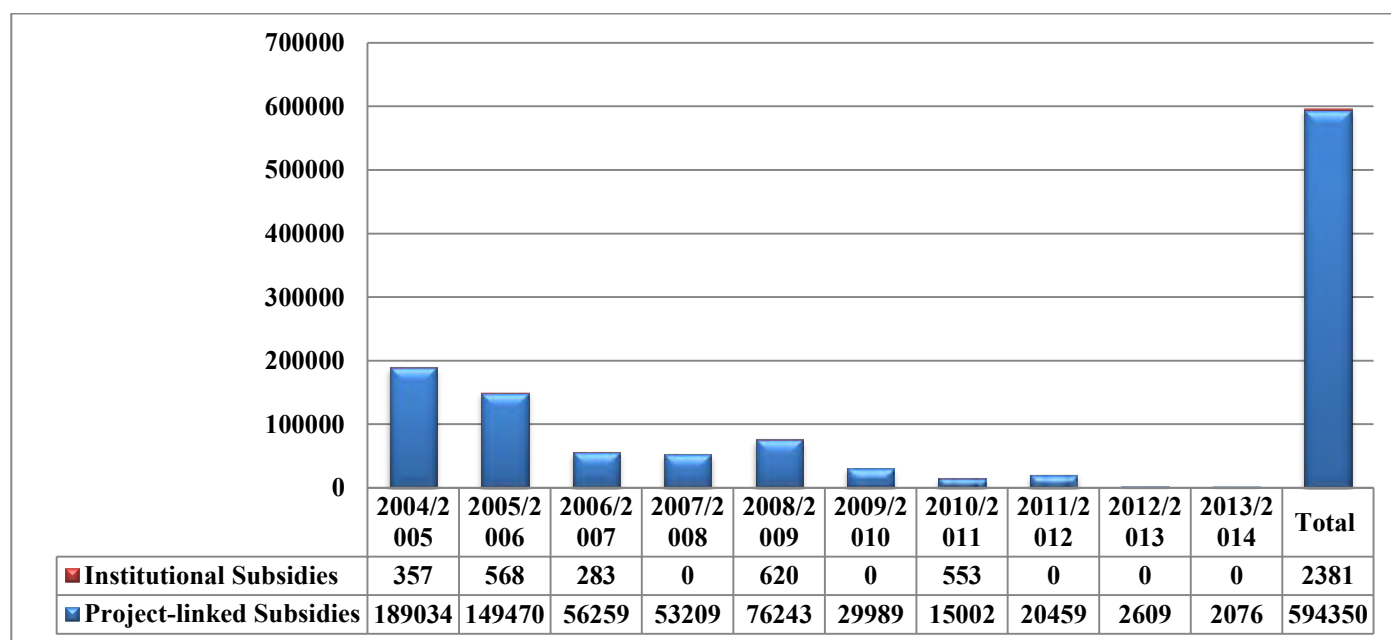


Source: Matsela, 2010 cited in Jimoh and Van Wyk, 2010

The demand for adequate, affordable and subsidized housing far exceeds housing supply and it is estimated to be approximately 2.2 million units for the entire country and approximately 180 000 in Johannesburg (COJ – 2040 GDS, 2011; COJ-IDP, 2012:22). This emphasizes a need for additional role-players housing and funding mechanisms for the delivery of affordable housing to meet this escalating housing demand. In the past decade, the Gauteng Department of Human Settlements has been prioritizing privately owned housing over social or co-operative housing products. Figure 1.2 shows the number of housing subsidies approved between the 2004/2005 and 2013/2014 financial years. More than 590 000 project-linked housing subsidies were approved during this period, in comparison with less than 2 400 institutional housing subsidies.

The project-linked subsidy caters for households earning between R0 and R3 500 per month and offers individual ownership to the head of the household. The current Chief Construction Project Manager from Gauteng Department of Local Government and Housing clarified that the institutional housing subsidies approved in the past decade were mainly for pure rental housing projects. Less than five percent of the approved subsidises during this period were for the co-operative housing model. This study seeks to find out how come the co-operative housing model is the least delivered housing tenure option within the Johannesburg Municipality. The Troyeville Co-operative Housing Project is examined as one of the existing pilot projects to draw lessons on the adopted model and make recommendations that could increase the delivery scale.

Figure 1.2: Approved Subsidies in Gauteng – 2004/2005 to 2013/2014 Financial Years



Source: <<http://HSSWEB/ReportServer/GP/ABC Statistics/Subsidies Approved>> [Date Accessed: 30 September 2013]

1.2. Study Justification

As noted above, the main objective of post-apartheid housing policies is to provide adequate and affordable housing for lower-income households who cannot participate in the housing market. It is envisaged that the delivery of housing will improve such households' socio-economic status by promoting job creation, providing security of tenure, transferring skills, involving additional role players through private-public partnerships, and providing quality housing products, amongst other things (Department of Housing, 2005). Housing is thus a tool used to alleviate poverty as well as promote social order and integration. Given that in the co-operative housing model, non-profit enterprises deliver and collectively own the housing stock as a valuable asset this model has significant potential to achieve these objectives (Fish, 2003).

All the beneficiaries hold shares that serve as security of tenure on condition that they remain registered under the entity (Eglin, 2007b). Furthermore, employment opportunities are available prior, during and post construction of the housing project as well as through its strategic location close to economic opportunities and social amenities (Department of Housing, 2005). The beneficiaries of the co-operative housing project pay a monthly fee in the form of rent and levies to ensure the maintenance and management of the housing stock (CHFI, 2002). This study is relevant as it examines the co-operative housing model as an instrument for the delivery of affordable housing, and has the potential to reduce the housing backlog and improve the socio-economic status of its beneficiaries. The lessons learnt from the Troyeville Co-operative Housing Project are used to make recommendations that could increase the delivery of such housing. Furthermore, the findings of this study may assist with regards to the delivery of co-operative housing in South Africa as there is a paucity of research on this subject.

1.3. Aim and Objectives of the Study

This study aims to ascertain the degree to which a co-operative housing delivery strategy has been used to deliver affordable housing in South Africa. This assessment will be conducted in the Johannesburg Municipality. The study aims to achieve the following objectives:

Objectives

1. To explore post-apartheid housing policy and legislative frameworks in respect of the co-operative housing model.
2. To identify the financial mechanisms and institutional arrangements, as well as the actors responsible for the delivery of the co-operative housing.

3. To determine the lessons learnt from the experience of the Troyeville Co-operative Housing Project in Johannesburg Municipality.
4. To make recommendations that could contribute to an increased scale of delivery of co-operative housing in Johannesburg and South Africa in general.

1.4. Research Question

Given that co-operative housing is one of the delivery instruments proposed by post-apartheid housing policies to deliver housing; to what extent has the Johannesburg Municipality used the co-operative housing model as a strategy to provide affordable housing?

1.4.1. Subsidiary Questions

- What is co-operative housing?
- What are the advantages and disadvantages of co-operative housing?
- Which housing policies and legislative frameworks strengthen and support the delivery of co-operative housing in South Africa?
- Which actors are responsible for the delivery of co-operative housing within the Johannesburg Municipality?
- What financial mechanisms and institutional arrangements have been put in place to assist the delivery of co-operative housing in Johannesburg Municipality?
- What are the challenges associated with the co-operative housing delivery strategy?
- How have those challenges been solved and how can they be avoided in the future?
- What lessons can be learnt from the delivery of Troyeville Co-operative Housing Project that could be replicated in other municipalities in South Africa?

1.5. Research Methodology

The research methodology identifies the sources of information and the tools used to collect the data as well as the method used to analyse the data. The qualitative method of data collection was used in this study because it is more flexible and less rigid, contrary to the quantitative method. The qualitative method allowed the researcher to collect information based on the respondents' views, opinions, experience and knowledge about co-operative housing with the use of semi-structured methods such as interviews and focus group discussions. The data required for this study consisted of both secondary and primary data sources. This section outlines how the data was collected and the qualitative method used to analyse and interpret this data. The Troyeville Co-operative Housing Project was selected as the case study because it was implemented as a co-

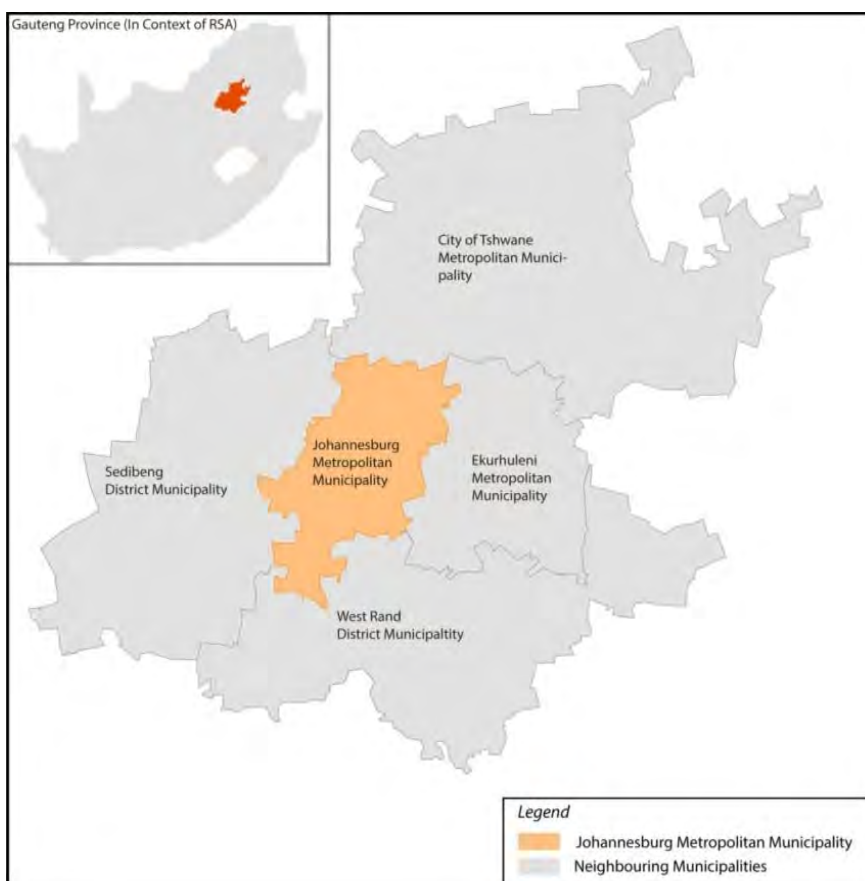
operative housing project. The project is located within the Johannesburg Municipality under the Gauteng Province.

1.5.1. Primary Sources of Data

1.5.1.1. Selection of Case Study

The Troyeville Co-operative Housing Project is currently one of the on-going housing projects within the Johannesburg Municipality. Refer to Map 1.1 for the location of the Johannesburg Municipality in the Gauteng Province. This housing project was selected as a case study to draw lessons on the implementation of the co-operative housing model. Since the case study is located within the Johannesburg Municipality, the area was examined to ascertain the progress of co-operative housing and the extent to which post-apartheid housing policies and legislative frameworks in respect of co-operative housing are being implemented.

Map 1.1: South Africa, Location of Gauteng Province and Johannesburg Municipality



Source: <www.demarcation.co.za> [Date Accessed: 30 September 2013]

The purposive sampling method is defined a “non-probability sampling which involves selecting certain units or cases based on a specific purpose rather than randomly” (Tashakkori and Teddlie, 2003a:713 cited in Teddlie and Yu, 2007:80). This method was chosen to select the key

informants for the interviews. The selection criterion required that the key informants be key role-players that possess technical experience and knowledge regarding the delivery of co-operative housing projects including the Troyeville Co-operative Housing Project. Furthermore, the sample size consisted of three key informants and the information provided was relevant to answering the research question. The researcher collected data from three well-informed key informants from the City of Johannesburg Housing Department, Gauteng Department of Local Government and Housing, and also the COPE Housing Association. The selected key informants were chosen for this study because they provided the researcher with the information required on the implementation of the Troyeville Co-operative Housing Project as well as the current status of co-operative housing delivery in Johannesburg. The Troyeville Co-operative Housing Project was examined and evaluated to understand the mechanisms, arrangements and actors involved to ensure implementation of the housing project and the lessons learnt. Interviews were held with the three key informants who were and still responsible for the delivery of co-operative housing model in Johannesburg. In addition, focus group discussions were undertaken with seven members of the Troyeville Housing Co-operative – Board of Directors.

1.5.1.2. Interviews

1.5.1.2.1. Deputy Director – City of Johannesburg Housing Department

The interview was conducted with the Deputy Director under the City of Johannesburg Housing Department. This department is tasked with, amongst other things, facilitating co-operative housing development, supporting the growth of housing co-operatives, identifying and designating land and providing basic services and infrastructure, so that the co-operative housing sector may flourish (Housing Act, 1997; CHFI, 2002). The researcher collected data with regards to this department's role and experience in the delivery of co-operative housing in general, and the Troyeville Co-operative Housing Project in particular. In addition to the department's current responsibilities in assisting the implementation of co-operative housing and the delivery challenges confronting the municipality. This information was elicited through the use of a semi-structured, face-to-face interview. The interview was taped and notes were also taken.

1.5.1.2.2. Project Co-ordinator/Leader – COPE Housing Association and

The Project Co-ordinator/Leader was employed by the COPE Housing Association (COPE HA) to carry out the delivery of co-operative housing pilot projects including the Troyeville Co-operative Housing Project. The COPE HA was a housing management company that operated in the centre of Johannesburg. This company was established by CBOs and Gauteng Department of Housing in Johannesburg to address the housing challenges in the inner city through collectively owned

housing model. COPE HA was launched to assist upcoming housing co-operatives to establish and develop their own housing (Rust, 2001). This made the Project Co-ordinator/Leader a crucial key informant for this study as relevant information was gathered pertaining to co-operative housing projects delivered during the implementation of pilot projects. COPE HA was the main role-player in establishing the Troyeville Housing Co-operative and delivering their housing project. The researcher conducted a semi-structured, face-to-face interview. Data was collected based on the key informant's knowledge and experience as the project co-ordinator/Leader of all the co-operative housing projects he worked with, including the one in Troyeville. The interview was taped and notes were taken. During the interview the researcher was advised by the Project Co-ordinator/Leader to consult the Co-operative Housing Foundation International Booklet as COPE HA used similar techniques in the delivery of Troyeville Co-operative Housing Project. The Project Co-ordinator/Leader also provided the researcher with relevant documents, including a speech delivered by the MEC for Housing in Gauteng, during the launch of the Troyeville Co-operative Housing Project. At the time of the study, the researcher found that the previous COPE HA Project Co-ordinator/Leader is currently employed as a Programme Manager for the Johannesburg Social Housing Company (JOSHCO), a state-owned entity responsible for the delivery of social housing within Johannesburg.

1.5.1.2.3. Chief Construction Project Manager - Gauteng Department of Local Government and Housing

The Chief Construction Project Manager for the Alternative Tenure Department within the Gauteng Department of Local Government and Housing (GDLGH) was interviewed. Furthermore during the interview the researcher learnt that this informant used to work as a Project Manager under the same institution, and was responsible for the delivery of pilot co-operative housing projects including the Troyeville Co-operative Housing Project. GDLGH previously known as the Gauteng Department of Housing is responsible for the delivery of housing in Gauteng province. This department is tasked with, but not limited to the following responsibilities; administering subsidies to municipalities in Gauteng, determining provincial housing policies and legal frameworks, and ensuring that national housing policies are properly implemented (Housing Act, 1997). The Johannesburg Municipality is one of the municipalities that falls under this department's administration. Rich information was gathered from this department relating to the implementation of housing policies and legislation, housing-related legislative frameworks and programmes in place for the delivery of co-operative housing in Johannesburg. Data were also obtained on the roles and responsibilities of this department in ensuring the delivery of co-

operative housing within the province. The researcher conducted a semi-structured, face-to-face interview which was taped and notes were taken.

1.5.1.3. Focus Group Discussions – Troyeville Housing Co-operative Board of Directors

The Troyeville housing co-operative Board of Directors is made of 7 members who are representatives elected by the other members to represent, govern, and manage the entity as well as its housing project (CHFI, 2002). Focus Group Discussions was conducted with the Troyeville Housing Co-operative Board of Directors and facilitated by the researcher. Significant information was collected for this study from the group as the representatives of the Troyeville housing co-operative members, and their traceable experience and knowledge of more than a decade with co-operative housing. During the discussions the directors shared information on their role, personal views, experience and knowledge with the entity and the housing project as representatives and beneficiaries and also on behalf of the other members/beneficiaries. Furthermore, they provided data that elucidates the beneficiaries' economic, educational and social statuses currently and during the conception stages. This interaction with the participants aided the research with grass root information and the dynamics of being part of housing co-operative. The responses were captured with a voice recorder, and through writing notes.

1.5.2. Secondary Sources of Data

The secondary sources of data consisted of information from published books, unpublished and published articles, the internet and archival records (government and media publications) in respect of co-operative housing delivery locally and internationally. The researcher reviewed the literature on the different ideological approaches to the delivery of co-operative housing in South Africa and other countries. Post-apartheid housing policies and related legislation were extensively examined to shed light on the evolution of co-operative housing and the mechanisms in place to ensure its delivery and development as a housing sector. The literature on both local and international co-operative housing precedents was reviewed in order to determine the strengths, weaknesses and challenges of co-operative housing in general. The data were used to extract lessons from these experiences and to make recommendations that could scale up the delivery of co-operative housing in South Africa. The secondary data create a learning foundation for the primary data and the data analysis and enabled the researcher to systematically answer the research questions.

1.5.3. Data Analysis

A qualitative research approach was used to collect and analyse data. The collected data was grouped and analysed accordingly into the key concepts of this study and also to answer the main research and subsidiary questions, in addition to achieving the objectives of this study. The data analysis was applied using the key concepts of the study including housing co-operatives, co-operative housing model and property management, financial mechanisms, as well as the institutional arrangements. These themes were derived after examining the co-operative housing model that was adopted by the COPE HA for the Johannesburg Municipality. Furthermore an assessment of the role-players, institutions and financial mechanisms was necessary to conduct to fully comprehend the delivery of this model. In addition tables, diagrams, and bar graphs were also used to interpret the information collected from both the secondary and primary data sources.

1.6. Definition of Key Concepts

1.6.1. Housing Co-operatives

A housing co-operative, is an entity formed by a group of people who voluntarily unite to meet their common desire to provide adequate and affordable housing for themselves. This is achieved by mobilizing their resources and efforts to establish collective security of tenure. This entity is recognised internationally under the ‘Third Sector’ as an NPO and CBO (Okpala, 1992; Keivani and Werna, 2001b). In the South African context, housing co-operatives are identified as non-profit entities, who jointly mobilize their own resources such as money, time, and skills amongst others, to deliver, maintain and manage their own affordable housing projects (Fish, 2003; SHF, ndb). According to Vakil (1996), housing co-operatives negotiate as an entity to acquire land from the government or the private sector, obtain credit or mortgage loans from various formal financial institutions and have the ability to hire construction teams to build their homes. The post-apartheid housing policies support and recommend housing co-operatives as they act as additional role-players in the delivery of affordable and adequate housing.

Members of the housing co-operative are entitled to occupy specific units as per the agreements in place and on condition that they pay their operational fees and abide by the policy/regulatory documents of the entity (Eglin, 2007b; Fish, 2003; Jacobs, 2011). Furthermore, the members are beneficiaries because they are the end users of housing projects and they benefit from them. Thus the entities have title deeds registered in their name and each member is given shares which entitle them to use the housing units (Eglin, 2007b). Previously during the delivery of pilot co-operative housing projects, the targeted income groups were households earning between R2800 – R3500 per month (Department of Housing, 1994; Fish, 2003). Currently the targeted income group for

co-operative housing is low to moderate income households who earn a minimum of R1 500 and maximum of R7 500 per month and require government intervention through the subsidy programme or bridging the financial gap with financial institutions (Department of Housing, 2005). This income group is targeted as they are able to afford subsidized rents (Tissington, 2011). According to the Social Housing Policy of 2005, the Social Housing Programme excludes the poorest households – those with no monthly income.

1.6.2. Co-operative Housing Model

The co-operative housing model adopted in South Africa is a medium-density housing approach which is managed and collectively owned by members of a registered housing co-operative (CHFI, 2002; Jimoh and Van Wyk, 2010). According to the Co-operative Housing Foundation International (2002), co-operative housing can be viewed as a bridge between individual ownership and rental housing, since it offers an alternative, collective tenure arrangement. In South Africa, co-operative housing is recognised as a collective ownership tenure option under the social housing programme. It promotes a mix of different racial and income groups within the same building to achieve integration and cross subsidization (Department of Housing, 2005).

Co-operative housing projects are considered as adequate and affordable housing because they are delivered through formal and recognised housing delivery systems. Furthermore it offers beneficiaries a supply of water, electricity and shelter as required by the Constitution of the Republic of South Africa (Huchzermeyer, 2001; Rust, 2001). Co-operative housing model adopted during the pilot projects was divided into four stages, namely stage 1 – establishment of the housing co-operative, stage 2- feasibility and planning of the housing project, stage 3 – design and implementation of the housing project, and the fourth stage is the management of the housing project (CHFI, 2002; Fish, 2003). The sustainability of the co-operative housing project and the entity is dependent on the successful implementation of the four stages and proper management and maintenance in the fourth stage. The co-operative housing model in South Africa is still state-assisted even though the entity is the main actor throughout all the above mentioned stages of the co-operative housing model.

1.6.3. Property Management

Property management is a process that assists with managing and maintaining the multi-storey housing stock after its construction, and once residents have taken occupation, in order to ensure good housing conditions. This process takes place during the fourth stage of the co-operative housing model (SHF, 2000). Property management is the process of using resources, in this case

the property in the form of the housing stock, effectively to achieve the set objectives by the property owner (CHFI, 2002). According to Cloete (2001), the primary objective of property management is to maintain and increase the value of the property for its owner. This is measured in terms of functional (own occupation), economic (financial investment), and subjective (aesthetic or status) value, or a combination of the three. Property management can be undertaken by the owner (whether one person, a company or a legal entity) or by someone contracted by the owner. All housing stock under the social housing programme requires property management since they are normally medium-density housing in the form of multi-storey buildings with various housing units. This is true for the the Troyeville Co-operative Housing Project in Johannesburg. Property management is one of the crucial phases that the sustainability of co-operative housing projects is highly dependent on. The maintenance and management of the housing stock takes place within this phase in order to ensure that it remains in good condition and is operational in the long term.

1.6.4. Financial Mechanisms

Financial mechanisms are the different types of housing finance options that are made available to ensure that housing delivery takes place. In the context of co-operative housing, financial mechanisms include, but are not limited to the institutional housing subsidy, foreign and local capital grants, international donations, housing co-operative equity contributions and housing credit (CHFI, 2002; SHF, 2005; Department of Housing, 2005). This concept is relevant to this study as it unpacks the financial mechanisms as one of the incentives in place to enable the delivery of co-operative housing projects.

1.6.5. Institutional Arrangements

According to Hornby (2005:67), an arrangement is a plan made in order for something to happen. In the South African context, institutional arrangements refer to the plans put in place to implement housing policies and legislation, as well as the definition of the roles of various role-players in order to ensure that adequate and affordable housing is delivered. Furthermore, these plans provide a clear description of how the various role-players and institutions are involved and how the housing policies and legislation intertwine to ensure housing delivery. The institutional arrangements in place for co-operative housing delivery include but are not limited to post-apartheid housing policies and legislation, the three tiers of government, the private sector, housing co-operatives and other supporting organisations (Department of Housing, 2005).

1.7. Structure of Dissertation

Chapter 1 - Introduction and Research Methodology: The first chapter outlined the background to the research, and presented the problem statement, research question and subsidiary questions and the definition of the key concepts. This chapter also outlined the research methodology used to collect the data for this study, and the manner in which the data was analysed.

Chapter 2 – Theoretical Framework and Literature Review: Chapter two presents the theories, approaches and concepts that influence the delivery of co-operative housing. It analyses the neo-liberal theory, the enabling approach, the conventional approach, the co-operative movement and the international and local co-operative housing experience.

Chapter 3 – Historical Background of Case Study: Troyeville Co-operative Housing Project: The third chapter discusses the historical background and location of the case study, the Troyeville Co-operative Housing Project. Furthermore, the chapter discusses the evolution of the co-operative housing movement in the Johannesburg Municipality.

Chapter 4 – Research Findings and Data Analysis: This chapter focuses on and discusses the research findings from the case study. The data are analysed and interpreted against the data discussed in chapter one and two in order to ensure that the objectives of the study are achieved.

Chapter 5 – Summary of Findings, Conclusion and Recommendations: Chapter five provides conclusion and a summary of the findings, as well as the recommendations derived from the lessons learnt with regards to the successes and shortcomings of the delivery of the Troyeville co-operative housing project. This chapter addresses the study's research question and the subsidiary questions.

Chapter 2: Theoretical Framework and Literature Review

2.0. Introduction

This chapter focuses on the theoretical framework upon which the study is based. It also reviews the literature on co-operative housing in South Africa and beyond. This is done by providing various case studies at local and international scales. This chapter discusses the neo-liberal theory and the enabling approach as development ideologies that influence post-apartheid housing policies. The conventional approach is also examined in order to determine the formal housing delivery processes undertaken to ensure that co-operative housing projects are of high quality and are sustainable. The principles of the co-operative movement are also analysed, as the origins of the co-operative housing sector lie in this movement. This chapter also analyses the housing challenges that gave rise to the co-operative housing model in some South African inner cities. Thus the evolution of co-operative housing with emphasis on the Johannesburg Municipality is examined in conjunction with the respective post-apartheid housing policies and legislation that guided its delivery. This section lays the foundation for understanding the practical experience for the delivery of the pilot co-operative housing projects. Therefore the lessons learnt on the delivery of pilot projects are outlined. Finally, the international experience of co-operative housing is analysed and discussed to establish its strengths and weaknesses in different countries.

2.1. Neo-liberal theory

The neo-liberal theory is an economic and political ideology which shapes the economy through its governing principles. These include reducing the role of the government in the economy and involving 'third' sector organisations such as CBOs, NGOs and NPOs in implementing macroeconomic policies (Mackay, 1999). According to the National Audit Office (n.d.) 'third' sector organisations are organisations which are neither in the public nor the private sector, but fulfil similar responsibilities on a voluntary basis. Neo-liberalism stresses the primacy of markets in the economy, thus discouraging excessive government intervention that can distort and undermine the purpose of economic markets, decreasing their efficiency (Thorsen and Amund, nd). Neoliberalism is the contemporary version and reincarnation of the old liberalism. The World Bank and other international funding agencies such as the International Monetary Fund have been promoting this ideology since the early 1970s to influence macroeconomic policies such as housing (Saad-Filho and Johnston, 2005; Shidlo, 1990). These macroeconomic policies should mainly stimulate economic growth, macroeconomic stabilization and efficient market performance to mention a few (Zannetta, 2004). In South Africa, neo-liberal principles were introduced for similar reasons through the Growth Employment and Redistribution (GEAR)

strategy of 1996. The motivation for the GEAR strategy was mainly economic (Lesufi, 2002). The objectives of GEAR included accelerated economic growth, wealth redistribution, the use of economic markets, job creation, poverty alleviation and decreasing inequalities between the rich and the poor (Republic of South Africa, 1996). In order to achieve these objectives, government's role in the economy was reduced to prevent market distortions, and economic sectors such as housing being regarded as welfare goods. This policy focused on economic restructuring rather than social rebuilding (Le Roux, 2001; Lesufi, 2002). Since the release of the GEAR strategy, all subsequent post-apartheid housing policies such as the Breaking New Ground of 2004 and the Social Housing Policy of 2005 as well as legislation such as Co-operatives Act of 2005 have promoted some similar objectives of this macroeconomic policy.

In the low-cost housing sector, the neo-liberal ideology was initially and strategically introduced by the influential private sector during the policy-making forum prior to 1994. Thus the Housing White Paper of 1994 constituted similar principles to the GEAR objectives given that the democratic government accepted and depended on the private sector for resources such as technical skills and finance, amongst others, for the delivery of subsidised housing (Huchzermeyer, 2001). Thus the Housing White Paper of 1994 envisaged that lower-income housing would be provided through the housing market and used as a means to create jobs, distribute income and wealth, involve 'third' sector organisations and reduce poverty. Moreover the role of the government was envisioned to be minimal and thus achieving adherence to some of the neo-liberalism principles (Department of Housing, 1994; Mackay, 1999).

Co-operative housing is recommended and its delivery process is strengthened by some of the above-mentioned post-apartheid housing policies that promote the delivery of housing to low- to moderate-income households through the housing market. The role of the post-apartheid government is therefore limited to regulating the market for efficient housing delivery; this is true for co-operative housing (Adebayo, 2008; Venter and Marais, 2010). Furthermore, co-operative housing delivery has been designed to meet some of the post-apartheid housing policies' objectives. Given that it is used as a means to increase job creation, the distribution of wealth and the transfer of skills through jobs such as construction, administration, maintenance and management which are available during the construction and property management stages. In addition, co-operative housing projects are strategically positioned close to economic opportunities. Job creation is anticipated to reduce poverty levels of the beneficiaries, and the housing stock is registered as a valuable asset for wealth creation and empowerment under the entity's name (Department of Housing, 2005; Tissington, 2011). It should be noted, however, that

the implementation of many policies results in different outcomes from what was intended; this may render such policies unrealistic and far-fetched at times. Although post-apartheid housing policies held out much hope that co-operative housing would yield the desired outcomes, implementation produced contrary results to what was anticipated. In 2010, only 58 housing co-operatives are established within 5 provinces across South Africa with a total of approximately one hundred thousand units completed (Matsela, 2010). Since the launch of its pilot projects, co-operative housing delivery has relied heavily on government support, either in the form of technical skills or financial assistance and other resources. Thus, the growth of 'third' sector organisations envisaged by the sponsors of the Neoliberal ideology to assist in achieving speedy housing delivery, has been slow and highly dependent on government assistance; this is also evident in the co-operative housing sector.

Government intervention in the economy is inevitable, especially when the targeted households are dependent on the government for assistance to subsidize their housing so it could be affordable (Jimoh and Van Wyk, 2010; Matsela, 2010). Housing delivered through NPOs requires time, patience and support from the government in order for these NPOs to grow and assume a prominent role in the delivery of affordable housing. It is evident that economic growth took precedence over rebuilding the social aspects of the country. In rebuilding the economy, affordable housing was to be delivered through the housing market. Moreover the community, 'third' sector organisations and the private sector taking were to take a leading role in housing delivery. Government's role was to be limited to creating an enabling environment where housing delivery could flourish.

For the co-operative housing sector, the environment was envisaged to be enabled through the post-apartheid housing policies/programmes/legislations which promote and support housing delivery, provision of targeted subsidies, accessible housing credit, availing and servicing land, to mention a few (Department of Housing, 1994; Huchzermeyer, 2001; Jones and Datta, 2002). Most of the housing delivery instruments recommended by the Breaking New Ground of 2004 are dependent on government intervention coupled with the private sector or 'third' sector organisations to function in the housing markets. The majority of the country's population cannot afford to participate in the housing market without government intervention due to high levels of poverty, unemployment and slow economic growth (Venter and Marais, 2010; Tissington, 2011). However one might assume that the housing policies are not relevant enough for the South African context because subsidized housing is still highly dependent on the government rather than being delivered through the housing markets.

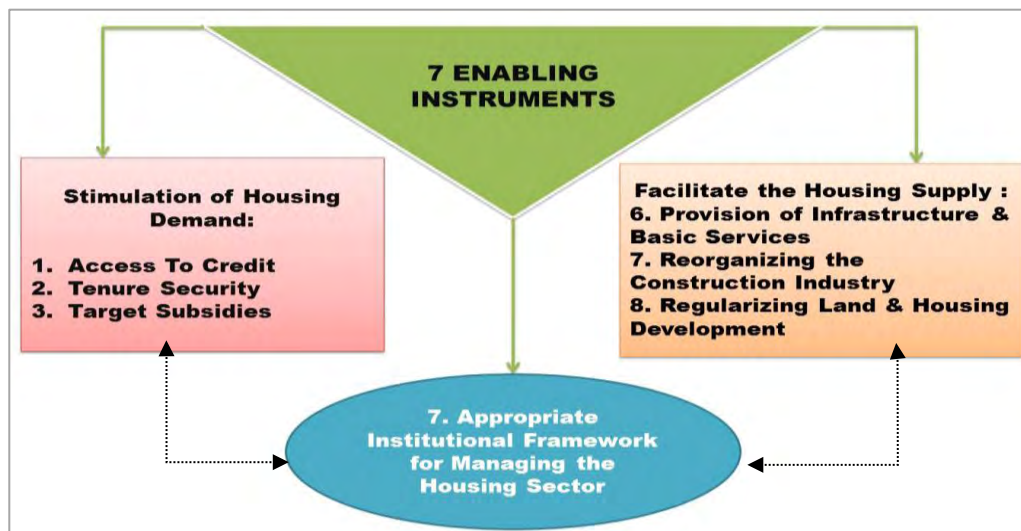
2.2. The Enabling Approach

The World Bank introduced and promoted the enabling approach as a development ideology to promote implementation of the neo-liberal principles. The enabling approach aimed to achieve whole sector development for the various economic sectors, including housing (Pugh, 1991; Venter and Marais, 2010). This approach has been adopted by various governments from countries such as Brazil, Thailand, Mexico, and Chile, since the early 1990s in order to adjust housing supply and demand and to promote the institutional development of housing markets (World Bank, 1993). This approach calls for minimal state intervention and adherence to free market principles. The government's role is limited to the adoption of macroeconomic policies that enable the imperfect formal housing market to work. In the housing sector, it is postulated that this would result in an improvement in the performance of the sector and increase the scale of housing delivery to benefit targeted households (Zannetta, 2004; Adebayo, 2008).

This concept influenced post-apartheid housing policies. The Housing White Paper of 1994 and Breaking New Ground of 2004 envisage the delivery of housing through the housing market, given that it is considered an economic component which contributes to macroeconomic performance (Department of Housing, 1994). The enabling approach assumes that governments have limited resources and capacity to produce housing; thus their role should be to facilitate and enable the markets to work (World Bank, 1993). This approach calls for the use of seven enabling instruments to make housing affordable for the low- to moderate-income households, through the formal housing market. These include three instruments for the stimulation of housing demand, three that facilitate the housing supply process, and the seventh that calls for the development of an appropriate institutional framework for managing the housing sector (Shidlo, 1990).

The three instruments to stimulate housing demand for lower-income households are improved housing finance systems for easier access to credit, security of tenure so that the targeted households have ownership and qualify for long-term credit, and targeted subsidies that make housing affordable. The three instruments that facilitate the supply of housing include the provision of infrastructure and basic services by the government or the private sector, reorganizing the construction industry to improve organisation and competition, and regularizing and removing regulations that hinder housing sector development (Jones and Datta, 2002). The seventh instrument supports the housing demand and supply instruments are achievable as it calls for the establishment of an institutional framework which manages the housing sector. Figure 2.1 below summarizes the seven enabling instruments required to make the housing markets function.

Figure 2.1: Seven Enabling Instruments



Source: World Bank, 1993:46-47; Jones and Datta, 2000:396

The enabling approach was introduced in South Africa during the early 1990s by the World Bank through its mission proposals to influence post-apartheid housing policies (Mackay, 1999; Jones and Datta, 2002; Venter and Marais, 2010). These proposals were rejected at first in the policy-making forum by the initial post-apartheid government representatives as they suggested that low-cost housing should be included in the macroeconomic performance of the country; thus, housing delivery was to take place through the housing markets. However, due to the influence of the private sector and the government's dependence on this sector, the post-apartheid government accepted the principles of the enabling approach and appointed the private sector the primary developer of low cost housing, limiting its role to that of an enabler (Mackay, 1999; Huchzermeyer, 2001).

Subsequent to the Housing White Paper of 1994, the Breaking New Ground of 2004 and Social Housing Policy of 2005, recommend the delivery of co-operative housing favoured this approach. According to Jones and Datta (2002), the enabling approach guided housing policies in effective, low-cost housing delivery through the housing market by applying some or all of the seven instruments. The post-apartheid government adopted some of the principles of this approach and envisaged its role as assisting with the provision of economic, legal and institutional mechanisms to enable housing markets to work and become more efficient (Mackay, 1999; Jones and Datta, 2002). In the context of co-operative housing, the main role-players are housing co-operative members who are also lower-income households. The demand for co-operative housing was and still stimulated through establishing financial institutions such as the National Housing Finance Corporation (NHFC), to make housing loans with lower interest rates readily available to housing

co-operatives who qualify (Huchzermeyer, 2001; Department of Housing, 2005). Secondly, the government provides targeted institutional housing subsidies to housing co-operatives members who qualify as per the subsidy criteria. Currently the criteria for acquiring institutional housing subsidies as per the Social Housing Policy of 2005; the members must earn between R1500 and R7500, the entity must be registered NPO and accredited by Social Housing Regulatory Authority (SHRA), the members must have dependents, to mention a few. These subsidies assist the members with capacity building and also subsidizing the development costs so they can pay lower rent/operational costs when they start residing in their housing projects in urban areas (Huchzermeyer, 2001; Rust, 2001; Department of Housing, 2005).

Furthermore, the demand for co-operative housing is stimulated through tenure security in the form of collective ownership which allows the housing co-operatives to own their housing projects as assets (CHFI, 2002). The supply side instruments for co-operative housing are facilitated through local government's (municipalities) assisting in acquiring land or decaying housing stock (for refurbishment) in urban areas for the entities, and through provision of basic services and infrastructure (Department of Housing, 2004; 2005). The main aim of adopting this approach was to ensure that housing is regarded as an economic rather than welfare sector, especially for lower-income households (Venter and Marais, 2010). While, as has been noted, post-apartheid housing policies have various enabling instruments in place to ensure that the co-operative housing sector flourishes through the housing markets. Jimoh and Van Wyk (2010) maintain that co-operative housing has not been vigorously pursued.

While these policies rested on a lower-income housing market, where the social and co-operative housing sector could flourish, high levels of poverty and homelessness compelled the government to intervene to assist in establishing these sectors (Fish, 2003). Housing co-operatives are integral entities in the delivery of co-operative housing, given that they have great potential to speed up housing delivery if well established. The implementation of the recommended housing delivery instruments and restriction the role of the government to that of an enabler has proved challenging in increasing co-operative housing delivery. According to Rust (2001), this results from a lack of understanding by the targeted income households as well as local authorities of the importance of delivery instruments such as co-operative housing.

2.3. The Conventional Approach

The conventional approach to housing delivery is a formal, legal system that conforms to official building regulations and procedures in the housing sector (Okpala, 1992). This approach makes

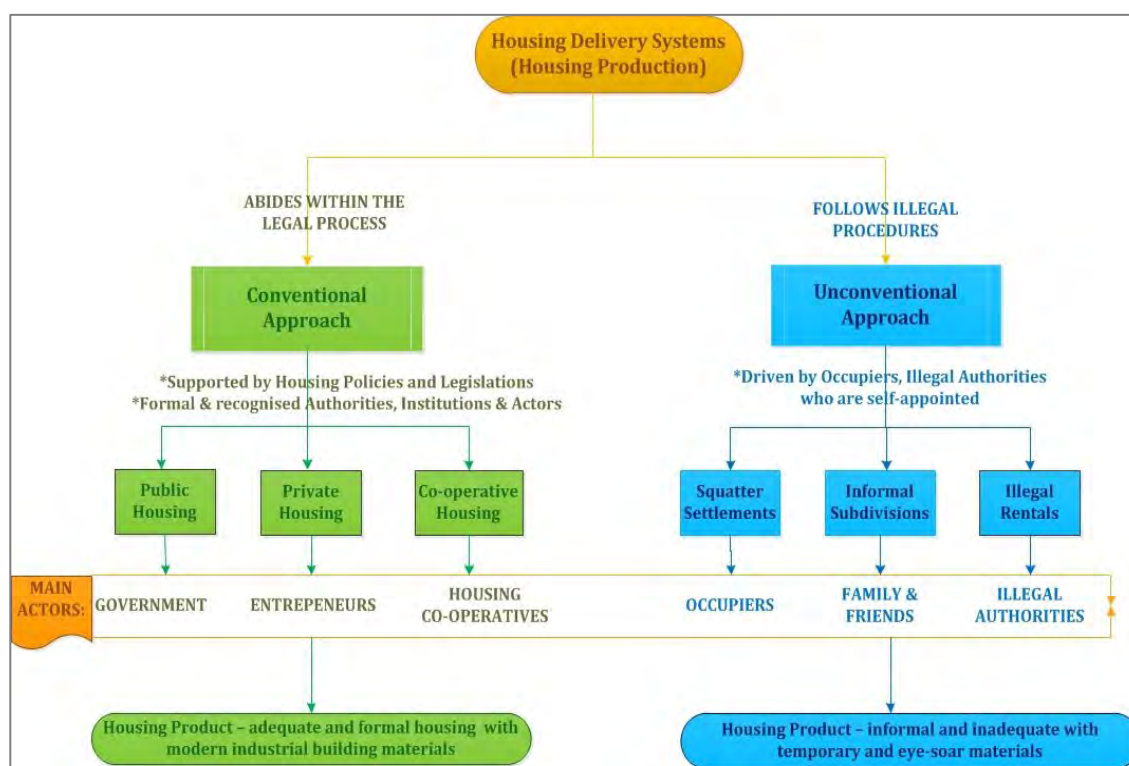
use of official channels and recognised institutions, such as planning authorities, financial institutions, qualified professionals, and building and land development organizations. It ensures that housing delivery complies with the formal, legal practices, building standards, land uses and subdivision regulations of a country (Drakakis-Smith, 1981; Pacione, 2005). This approach is relevant for this study because it regards the co-operative housing model as a housing delivery system that achieves delivery of high quality and adequate housing projects. In the South African context, a set delivery process was established in order to ensure that all co-operative housing projects comply with building standards and are therefore of good quality and adequate for the end-user. This set delivery process is in accordance with approved implementation programmes and legislation such as the Housing Code of 2000 then 2009, the Human Settlements - Red Book, and the Social Housing Act of 2008, amongst others.

The Housing Code of 2009 was promulgated to provide procedural guidelines for the effective implementation of the Housing White Paper of 1994. The Housing Code was revised and released in 2009 in order to align it with the revised housing policy, the Breaking New Ground of 2004. It specifies the different housing delivery instruments, gives guidance on how they can be implemented, and also the roles and responsibilities of role-players/institutions involved. The Human Settlements - Red Book provides the dimensions and types of materials to be used for the drawing and construction of the civil and house structures (Tissington, 2010). The Social Housing Act of 2008 defines the roles and responsibilities of the role-players responsible for the delivery of social and housing models. Co-operative housing delivery uses the underlying principles, guidelines and norms and standards of the above-mentioned legislation; thus legal procedures, formal organizations and administrative processes are used. Some international critics argue that the use of the conventional approach to provide housing for lower-income households sometimes results in the expansion of informal and inadequate housing because the housing products tend to be expensive (Keivani and Werna, 2001b).

In some third world countries such as Brazil, Mexico, Chile, Zimbabwe, India to mention a few, use the conventional approach to address the housing problem through three types of housing delivery systems. These systems are, namely: the private housing delivery system, public housing delivery system and co-operative housing delivery system (Okpala, 1992; Pacione, 2005). These three systems are mobilised by the following main actors: entrepreneurs or the private sector – who develop housing on a profit basis; the Government – the principal public sector body that intervenes to assist targeted households who cannot afford housing on their own; and Housing Co-operatives – organisations from the ‘third’ sector who work voluntarily on a non-profit basis to

provide housing for themselves as members of the organisation (Keivani and Werna, 2001b). In South Africa, all three of the above-mentioned housing delivery systems are used and they are delivered by their respective actors for different income groups. For example, high income earners make use of private housing delivery systems, while moderate and low-income earners use either the public housing delivery or the third sector organizations such as the co-operative housing delivery system for reasons of affordability. Figure 2.2 illustrates a conceptual model of two contradictory approaches to housing delivery systems - the conventional approach and the unconventional approach. It shows the different types of housing delivery systems used under each approach as substructures.

Figure 2.2: Conceptual model of approaches used to housing delivery



Source: Keivani and Werna (2001b)

The unconventional approach is the complete opposite; it is an informal and often illegal process used by households who cannot afford housing through the conventional systems. Individuals or households who occupy these informal and inadequate houses normally take full responsibility for construction of their own houses, but at times receive technical and financial assistance from family and friends or illegal operators who take advantage by making them pay illegal rentals (Okpala, 1992). The housing products built through the unconventional approach makes use of ‘eyesore’ materials that are temporary and unsuitable; they are also often located in hazardous environments (Keivani and Werna, 2001a; Pacione, 2005). The unconventional approach to

housing production results in informal and illegal systems such as squatter settlements, informal subdivisions and illegal rentals, and the housing products take the form of slums, decaying buildings, inadequate and informal housing. An examination of both approaches is relevant for this study because it explains why co-operative housing in South Africa is delivered through the conventional approach. The unconventional approach makes use of illegal procedures, mobilized by informal and unrecognised operators and is normally regarded as a consequence of the failure of current housing policies and programmes (Keivani and Werna, 2001b). Lower-income households participated in this illegal process during the apartheid era as the regime failed to provide sufficient housing (Wilkinson, 1998).

Even in the post-apartheid period, a significant number of households continue to live in informal and inadequate housing because they cannot afford adequate housing in the urban areas (Mackay, 1999). Therefore, failure to provide housing for lower-income households through the conventional approach usually results in households making use of unconventional housing production in order to obtain shelter. The expansion and growth of housing through unconventional modes results in the government creating housing policies which support housing delivered through conventional housing production systems in order to control or reduce inadequate housing (Pacione, 2005). This increase in informal and inadequate housing has been used in most third world countries as an indicator of the failure of government housing programmes and housing markets to meet the demand for housing by the majority of the population who are normally lower-income households (Okpala, 1992; Keivani and Werna, 2001a).

Therefore, in addition to government-driven housing programmes, housing policies should enable formal housing markets and facilitate other modes of delivery to increase the scale of lower-income housing provision (Drakakis-Smith, 1981; Keivani and Werna, 2001a; Zannetta, 2004). Most governments assist 'third' sector organisations to establish themselves and grow, given that such organisations can provide technical skills and financial support to speed up housing delivery. Furthermore, these organisations are generally voluntary, non-profit, and community-orientated organisations, social enterprises, mutual organisations and co-operatives. Organisations within the 'third' sector are normally categorised as CBOs, NPOs and NGOs (Okpala, 1992; Mackay, 1999, CHFI, 2002). This study focuses on the conventional co-operative housing delivery system which is driven by recognised, legal, formal organisations known as housing co-operatives that are governed by the country's policies, regulations and statutes. Furthermore, housing co-operatives have their own formal structures and procedures, including business plans, financial and property

management requirements, accounting systems and governance structures to co-ordinate their resources and achieve the policy objectives prescribed for them, which include, but are not limited to the maintenance and functioning of the organisation (SHF, 2000, Kamete, 2001; Tchami, 2007). Housing co-operatives are formal and registered organised groups or associations of people who are able to acquire building sites or land, and apply for and receive housing loans or other mortgage loans from government or financial institutions to construct and maintain their own housing (Okpala, 1992; SHF, 2000). In South Africa, the members of housing co-operative must have a form of income as they have to contribute towards the entity and housing project. This structure is used by the post-apartheid government also to establish and regulate the functioning of housing co-operatives.

Institutions such as the National Home Builders Registration Council (NHBRC), National Housing Finance Corporation (NHFC) and the National Urban Reconstruction and Housing Agency (NURCHA) were created by the government in partnership with the private sector to ensure the delivery of affordable and adequate housing i.e. co-operative housing projects for the targeted households. Refer to table 2.3 for clarification of the different roles and responsibilities of the above-mentioned institutions. The three tiers of government are also involved in ensuring that housing policies, legislation and relevant role-players are established to support and strengthen co-operative housing and ensure that it is delivered according to building standards (Wilkinson, 1998; Huchzermeyer, 2001). Adequate housing is best described by its features and functions which include but are not limited to security of tenure, basic services and infrastructure, living space, physical security, peace and most importantly, dignity. Thus housing should not be limited to a mere physical structure (Department of Housing, 1994). Co-operative housing stock offers end-users these attributes; thus the final product is of an adequate quality and provides basic services such as potable water and electricity.

2.4. The Role of the Co-operative Movement

The co-operative movement encourages people to unite in groups in order to voluntarily and collectively work towards a common goal; they jointly own and democratically control enterprises to improve their socio-economic conditions (Tchami, 2007). The first co-operative was created in response to the great need created by the industrial revolution which challenged low and moderate income households due to increases in the cost of living, increased unemployment, low wages, and a lack of employee insurance, health care or pension funds. These challenges exacerbated social issues such as an increase in the urban population, poverty, social exclusion, exploitation and unhealthy and polluted cities. Thus, the co-operative movement evolved from the need for a

working class earning minimum wages to work collectively in order to afford goods and services. Industrial capitalists believed in individuals participating in free and self-regulating markets and this proved expensive for most households (Hands, 1975; Fairbairn, n.d.). The co-operative movement originated in Great Britain in the eighteenth century in a small town called Rochdale. A group of workers who had failed to secure a wage increase from their capitalist employers came together to form a co-operative retail business (Tchami, 2007). This led to the establishment of the first co-operative model known as the Rochdale Society of Equitable Pioneers whose members acquired goods and services cheaper through collective means. Numerous lower-income communities around Rochdale and later at an international level subsequently adopted the principles adopted by the Rochdale Pioneers (Fairbairn, n.d.).

Table 2.1 provides a summary of these principles. The success of the Rochdale model spread throughout Europe. In most developing countries, the co-operative model was introduced by colonizers from Great Britain. Colonialism refers to the practice where a powerful country established, exploited and imposed its customs on another country by forcing the indigenous people to behave as they did (Hornby, 2005). These colonizers used the co-operative approach to control the colonized population in order to obtain cheap or voluntary labour to enable the cheap production of local goods such as coffee, cocoa, tobacco and sugar cane for export (Tchami, 2007). Thus colonialism facilitated the spread of the co-operative movement throughout the world during the late eighteenth and early nineteenth centuries. The Rochdale Pioneers' ideas proved successful in numerous European countries (Pedersen, 2003). In the late eighteenth century, a representative body for co-operatives known as the International Co-operative Alliance (ICA) was formed to promote socio-economic enterprises and self-help organizations internationally and thus popularized the movement (Jimoh, 2012).

Table 2.1: Rochdale Principles of Co-operation

Rochdale Pioneers Ideas	1. Open and voluntary membership
	2. Democratic control
	3. Interest on share capital limited to 6%
	4. Distribution of surplus to members in proportion to their transactions
	5. Cash trading
	6. Education and training for members
	7. Political and religious neutrality
	8. Charitable distribution of assets in the event of dissolution.

Source: Hands, 1975; Tchami, 2007:8

Table 2.2: International Co-operative Alliance (ICA) Principles:

1.	Voluntary and Open Membership	<ul style="list-style-type: none"> • Co-operatives are charitable organisations. • They are open to all persons able to use their services and willing to accept the membership responsibilities. • There is no gender, social, racial, political or religious discrimination. • Dissatisfied members have the right to leave the co-operative.
2.	Democratic Member Control	<ul style="list-style-type: none"> • Co-operatives are democratic organisations controlled by their members who actively participate in setting up their policies and making decisions. • Some members are elected or appointed and authorized to serve the co-operative as directors or managers and act on behalf of all the members. • Elected representatives are accountable to the rest of the members. • All members have equal voting rights by virtue of the “one member, one vote” rule.
3.	Member Economic Participation	<ul style="list-style-type: none"> • Members contribute equitably and democratically to control the capital (common property) of their co-operative. • Members usually receive limited compensation, if any, on capital subscribed as a condition of membership. • Members allocate surpluses for the following purposes: <ul style="list-style-type: none"> ▪ Developing their co-operative, ▪ Setting up reserves which would be indivisible, ▪ Rewarding members in proportion to their transactions with the co-operative, ▪ Supporting other activities approved by the membership. • Co-operation of the members takes precedence over their capital contribution. • The capital is there to serve the interests of the members and to allow them to fund the activities of the co-operative.
4.	Autonomy and Independence	<ul style="list-style-type: none"> • Co-operatives are autonomous, self-help organisations controlled by their members. • If they enter into agreements with other organizations, including governments, or raise capital from external sources, they do so on terms that ensure democratic control by their members and maintain their co-operative autonomy.
5.	Education, Training and Information	<ul style="list-style-type: none"> • Co-operatives provide education and training for their members, elected representatives, managers and employees so that they can contribute effectively to the development of their co-operative. • The solidarity of the group is based on written agreement. • They inform the general public and opinion leaders, about the nature and benefits of co-operation.
6.	Cooperation among Co-operatives	<ul style="list-style-type: none"> • Co-operatives serve their members most effectively and strengthen the co-operative movement by working together through local, national, regional and international structures. • Pooling resources and gaining strength by working as an organized group is not only applicable to individuals but also to co-operatives.
7.	Concern for Community	<ul style="list-style-type: none"> • Co-operatives work for the sustainable development of their communities through policies approved by their members. • Co-operatives live side by side with the community they belong to. • They enjoy the benefits of the infrastructure, services and amenities of the community.

Sources: SHF, 2000; Pedersen, 2003; Philip, 2003; Tchami, 2007

The ICA revised the Rochdale Pioneers' ideas to establish and develop co-operatives across all economic sectors at an international level. These internationally recognised principles are known as the ICA principles shown in table 2.2. The first four ICA principles are the core principles for any co-operative, as they provide an identity that guarantees the conditions under which members own, control and benefit from the enterprise. The principle on 'education, training and information' ensures commitment from the members, thus making membership effective, and is a precondition for democratic control. The 'co-operation among co-operatives' principle is a purely business strategy; a co-operative that does not subscribe to this principle is economically vulnerable. The final ICA principle, 'concern for community' relates to corporate responsibility in relation to issues such as poverty alleviation and protection of the environment (Tchami, 2007; Jimoh, 2012).

The ICA defines a co-operative as: "An autonomous association of persons united voluntarily to meet their common economic, social and cultural needs and aspirations, through a jointly owned and democratically controlled enterprise" (Philip, 2003:5). The United Nations Centre for Human Settlements (Habitat) and the ICA have signed a partnership agreement for the pursuit of co-operative options in housing development. Through this partnership, the two organisations aimed to establish support programmes for co-operatives involved in housing development, particularly in East and Southern Africa (Rust, 2001). Given the increasing number of households in need of adequate and affordable housing in the urban areas of the East and Southern African countries, this initiative was launched to reduce homelessness and the housing backlog (Jimoh and Van Wyk, 2010).

While the ICA principles have the potential to strengthen co-operatives, these organisations also suffer from weaknesses. These can be traced to the manner in which the co-operative movement was introduced in some of these countries, where colonialism was the common means. According to Tchami (2007), co-operative development in most developing countries has been hampered by the manner in which they were introduced. This was normally out of selfish ambitions by the colonisers to control local people and not necessarily because they had the members of the co-operatives' best interests at heart. Therefore, local citizens' perceptions of co-operatives were tarnished by the misuse of the concept. In South Africa, the co-operative movement was initiated by the colonial government through the Companies Act 25 of 1892, when significant deposits of gold were discovered (Jara and Satgar, 2008). The Act was not specifically for co-operatives but it was used by the government then to strengthen and establish the co-operative movement in the country. As more jobs were created, the urban population grew. This also created a huge market

for agricultural produce (Jara and Satgar, 2008). Thus the co-operative movement was introduced to assist sectors such as the agriculture through the principles embedded in this movement. While the movement initially had no legal framework in South Africa, the ICA principles were applied. The success of the agricultural co-operatives continued into the apartheid era (around 1950); this made co-operatives an important instrument for agricultural commercialisation and successful rural development. These co-operatives were intended for the white population only and were state-supported and state-controlled through regulated marketing, provision of subsidies and incentives (Philip, 2003).

Although the agricultural co-operatives flourished, there were some negative repercussions such as a shortage of good farming land, and the empowerment of the white race only whilst exploiting the black population through cheap labour and social control (Jimoh, 2012). The success of the agricultural co-operatives led to the promulgation of the Co-operatives Act (Act No. 91 of 1981), the first formal legislation to strengthen the co-operative movement in South Africa. In subsequent years, it strengthened the development of co-operatives in other economic sectors, including the housing sector (Eglin, 2007a). The co-operative movement was supported by the apartheid government, and the post-apartheid government has also embraced it as well as strong, autonomous, self-reliant and self-sustaining enterprises. It is envisaged that co-operatives could play a major role in the economic, social and cultural development of South Africa through their ability to create jobs, generate income, mobilise resources and promote broad-based economic empowerment, thereby enhancing sustainable human development in South Africa (Eglin, 2007a).

It was expected that the co-operative movement in South Africa would pool funds, labour and other resources to rebuild communities, whilst simultaneously engaging in their own development through sustainable economic activity (Rust, 2001). The development of co-operatives in South Africa was significantly influenced by the pre- and post-apartheid context in which they emerged. The first formal co-operative, the Pietermaritzburg Consumers Co-operative was registered in 1892 under the then Companies Act 25 of 1892 (Jara and Satgar, 2008; Jimoh, 2012). This laid the foundation for the development of further co-operatives. Agricultural co-operatives have been predominant in the South African economy since the early nineteenth century; their success was due to the level of support they received from the government, including the Land Acts of 1913 and 1936. These laws assisted private farmers with land ownership, thereby creating opportunities and assisting the growth and development of the agricultural co-operatives (DTI, 2009). During the apartheid era, all co-operatives in South Africa were governed by the Co-operatives Act (Act No. 91 of 1981), but the short-coming of this Act was that it focused mainly on developing

agricultural co-operatives (Matsela, 2010). The Act was reviewed and amended as the Co-operatives Act (Act No. 14 of 2005) so that it includes the development of all types of co-operatives, thus providing a new framework to accommodate different types of co-operatives (Philip, 2003; Republic of South Africa, 2005). The new Act is based on the ICA principles and values for co-operatives and also set out procedures for establishing socio-economic co-operatives, including housing co-operatives. Given the socio-economic challenges and imbalances confronting post-apartheid era, co-operatives for all socio-economic sectors are regarded as a suitable option to achieve economic growth (Republic of South Africa, 2005; Jacobs, 2011). The government envisages that the co-operative movement will play a major role in the economic and social development of South Africa, through job creation, social integration, improved livelihoods, income generation and the eradication of poverty. The country would benefit as the number of viable and sustainable non-profit economic enterprises increases (Republic of South Africa, 2005). Co-operatives enable individuals who would normally be barred entry to business to gain access and also allow for joint ownership of resources (Jimoh and Van Wyk, 2010). Co-operatives are significant in terms of the role they play in improving their members' livelihoods.

2.5. The Evolution of the Co-operative Housing Sector in South Africa

Mackay (1999) notes that, after the end of apartheid and racial segregation, many of those who moved into the urban areas could not afford adequate housing in these areas. The co-operative housing sector in South Africa was launched in the mid-1990s at the tail end of the apartheid regime. It aimed to provide alternative tenure options that lower-income households in the urban areas could afford (Rust, 2001; Fish, 2003). In the early 1990s, apartheid laws were dismantled. These included, amongst others, the “Reservation of Separate Amenities Act, the Natives Land Act – made it illegal for Africans to own land in urban areas, the Group Areas Act – segregated people by race and the Population Registration Act – assigned every resident to a specific racial group” (Worger and Byrnes, 2010). This resulted in an influx of people from rural areas and small towns to the urban areas, in order to access to employment opportunities, and educational, health and social amenities amongst other opportunities (Morris, 1998).

The Housing White Paper of 1994 stated that the housing backlog was estimated at a staggering 1.5 million within the South African urban areas (Department of Housing, 1994). The demand was greatest among low-income households earning between R0 – R3 500 per month (Wilkinson, 1998). Government envisaged that housing co-operatives could assist in speeding up the delivery of affordable housing. According to Jimoh and Van Wyk (2010), housing co-operatives were favoured because co-operatives in other sectors had extensive experience with sustainable

development and were a means of poverty alleviation through promoting sustainable livelihoods, partnerships and capacity building. The South African government sought partnerships with international governments and third sector organisations with technical expertise to assist with the formation and education of housing co-operatives (SHF, ndb). The new entities were also made aware of the ICA principles. Co-operative housing as a delivery instrument was conceived through the Collective Ownership Housing Subsidy which was later grouped with the Social Housing and Rental Housing Subsidy Strands to form the Institutional Housing Subsidy (Department of Housing, 1994; Wilkinson, 1998). Subsequent housing policies continued to promote the delivery of co-operative housing as an alternative affordable housing tenure option under the social housing programme (Fish, 2003; Tissington, 2011).

This housing delivery instrument was recommended because it offered a different form of security of tenure and was mobilized by and the responsibility of housing co-operatives; it thus provided additional role-players to speed up housing delivery. According to Keivani and Werna, (2001a), housing delivery is guided, informed and strengthened by housing policies and legislation; this is true in the South African context. The Co-operatives Act gives the different sector co-operatives in South Africa legal status (Jimoh and Van Wyk, 2010). In the housing sector, co-operatives are regarded as capable of addressing the housing problems challenging the post-apartheid government. However legislation in the form of Acts or programmes detailing the delivery of the co-operative housing has not yet been promulgated to guide the implementation process (CHFI, 2002; Jimoh, 2012). The co-operative housing model was initially established in some inner cities such as East London, Cape Town and Johannesburg, to address the housing challenges confronting these cities in the post-apartheid period. The exponential increase of the population was mainly due to migration from the rural areas (Rust, 2001).

Many of these new residents were poor or low-income earners who required financial assistance to afford housing in the urban areas. As available housing mainly took the form of high rise residential buildings owned by private, 'profit-driven' landlords or dilapidating hostel/public housing buildings owned by local authorities. Johannesburg was one of the first cities in South Africa to achieve racial integration in the early 1990s, given that these landlords accommodated black tenants. Some white tenants who were resistant to change moved out. This had negative implications as rents increased and the buildings became overcrowded as tenants sublet to cut costs. Overcrowding also increased the cost of maintenance and repairs (Fraser, 2001; Rust, 2001; Fish, 2003; COHRE, 2005). These buildings were characterised by run down infrastructure, deteriorating structures, and over utilisation of basic services such as water, sanitation and

electricity. Landlords responded by increasing rents in order to keep the buildings operational (Rust, 2001). Rent increases and evictions led to violent protests by residents and many landlords abandoned the buildings. In some cases, tenants lived without electricity or potable water because the landlords had not paid the municipal rates. The buildings' exteriors were not maintained and burst pipes were not fixed (Du Plessis and Wilson, 2005). Some of the available buildings for occupation gradually turned into slums – dilapidated areas with substandard housing that lacked security of tenure. Furthermore the tenants had no legal power or authority to repair or maintain the housing units or the buildings. Many people who had moved into the city become homeless or lived in illegal, overcrowded, and inadequate housing with poor living conditions (Department of Housing, 1994; Rust, 2001).

The appalling living conditions escalated as more people moved into the city and the area became a crime zone and a haven for drug dealers, prostitution and human trafficking. Illegal landlords took over and people were forced to pay them rent. The white owners abandoned their residential and commercial properties (Morris, 1998). Most white residents moved out of the inner city which led to a decrease in investment in the area and the value of the surrounding properties depreciated (SHF and SHIFT, 2005; Bethlehem, 2013). The Johannesburg Municipality was confronted with similar challenges such as housing backlog, overcrowded residential flats due to subletting, the increased demand for affordable housing, inactive and negligent profit-driven landlords, abandoned and decaying buildings, and unmaintained basic services and infrastructure (Rust, 2001; Fish, 2003, Jimoh and Van Wyk, 2010).

According to Mackay (1999) some of the buildings were still in adequate conditions for residency, however the households moving into these buildings could not afford. It was clear that external assistance was required from government intervention to deliver adequate and affordable housing. Hence partnerships between the Gauteng Department of Housing and Cope Housing Association; Eastern Cape Department of Housing and Afesis-corplan (registered NGO in East London) plus the East London Housing Management Co-operative; City of Cape Town with the registered CBOs were activated to intervene within their areas of jurisdiction. The Cope Housing Association was a third sector organization established with the support of international donors to assist with addressing inner-city housing challenges through the co-operative housing model in Johannesburg (SHF, ndb). The abovementioned secondary housing management companies helped registered primary housing co-operatives to access government housing subsidies and loans from financial institutions to buy the flats from willing landlords or vacant land. Obtaining loans from banks was very difficult, as they wanted nothing to do with those areas that they

regarded as ‘red-flag’ financial risks and this included the inner-city of Johannesburg (Fraser, 2001; Rust, 2001; Tomlinson, 2001). At that time the post-apartheid government had only recently assumed power; thus some of the municipalities had inadequate resources and capacity to handle the housing problem. Furthermore to support and strengthen the delivery of co-operative housing projects through capacity building and technical advice the Social Housing Foundation was involved throughout South African inner cities interested in using the model. The Foundation was liquidated in 2010 and its responsibilities are undertaken by the Social Housing Regulatory Authority (Jimoh, 2012). The Johannesburg Municipality was one of the few municipalities in South Africa that began delivering co-operative housing pilot projects around 1998. This was when the social and co-operative housing sectors were established (Fish, 2003; Jimoh and Van Wyk 2010).

In order for people to qualify as a member of a registered housing co-operatives, they had to meet the following housing subsidy criteria, and other set requirements for co-operative housing;: “South African citizens residing in the inner-city, having a joint household income which was less than R3 500 per month, applicants had to have dependants or be married at the time of their application, they should not have accessed the government housing subsidy previously and 21 years of age or older” amongst others (CHFI, 2002:39; Republic of South Africa, 2003). They registered as trading co-operatives under the the Co-operatives Act (Act No. 91 of 1981); while this Act aimed to strengthen agricultural co-operatives, it gave the newly-established housing co-operatives legal status (Philips, 2003; Jimoh and Van Wyk, 2010). The delivery of co-operative housing projects in the form of refurbishing the existing buildings and development of Greenfields was undertaken using the Less Formal Township Establishment Act (LFTEA) of 1991.

The LFTEA provided for the waiving of certain land use and building regulations in lower-income residential areas. When the apartheid era came to an end in 1994, the democratic government released its first housing policy, the Housing White Paper of 1994, which acknowledges the co-operative housing model. This policy recommended and supported co-operative housing delivery through the Collective Ownership Housing Subsidy (Department of Housing, 1994; Tomlinson, 2001). However it provided minimal guidelines as to how the model could be delivered, therefore expertise and advice given by Organizations such as Cope Housing Association played an integral role in the delivery of the pilot projects. In 1995, the National Housing Subsidy Scheme was launched as a programme in place to implement the Housing White Paper. Moreover the Institutional Housing Subsidy was one of the strands in place to establish and strengthen the delivery of co-operative and social housing projects (Wilkinson, 1998).

Furthermore the successful establishment of other economic sector co-operatives in South Africa and the existence of international housing co-operatives made this a worthwhile delivery instrument for the Johannesburg Municipality to pursue as it also served as an alternative tenure option for affordable housing and increased the number of role-players involved in housing delivery (Jimoh and Van Wyk, 2010). In 1998 the delivery of pilot co-operative housing projects commenced in various municipalities including Johannesburg. These pilot projects were delivered in terms of the Co-operatives Act of 1981, LFTEA of 1991, HWP of 1994, the Housing Subsidy Scheme of 1995 and the Housing Act of 1997. The Cope Housing Association received support in the form of funding and technical advice from international agencies such as Rooftops Canada, and the Norwegian Government to promote the development of co-operative housing (SHF, ndb).

The Housing Act (Act No. 107 of 1997) provided for a sustainable housing development process by setting out the general principles for housing development by all spheres of government. Furthermore, this Act defined the functions and responsibilities of the three tiers of government in housing delivery including co-operative housing delivery. The roles and responsibilities of the three tiers of government, the private sector and other actors involved in co-operative housing delivery and the respective financial mechanisms are discussed extensively in table 2.3. In 2000, the National Housing Code was promulgated to provide the procedural guidelines for the effective implementation of the Housing White Paper (Tissington, 2011). The pilot projects in Johannesburg involved much experimentation, thus it was very much a trial and error process. Currently the delivery of co-operative housing is recommended and strengthened through the Breaking New Ground of 2004, Co-operative Act of 2005, Social Housing Policy of 2005 and Social Housing Act of 2008, even though they lean more towards the rental approach (Matsela, 2010; Parliamentary Monitoring Group, 2010).

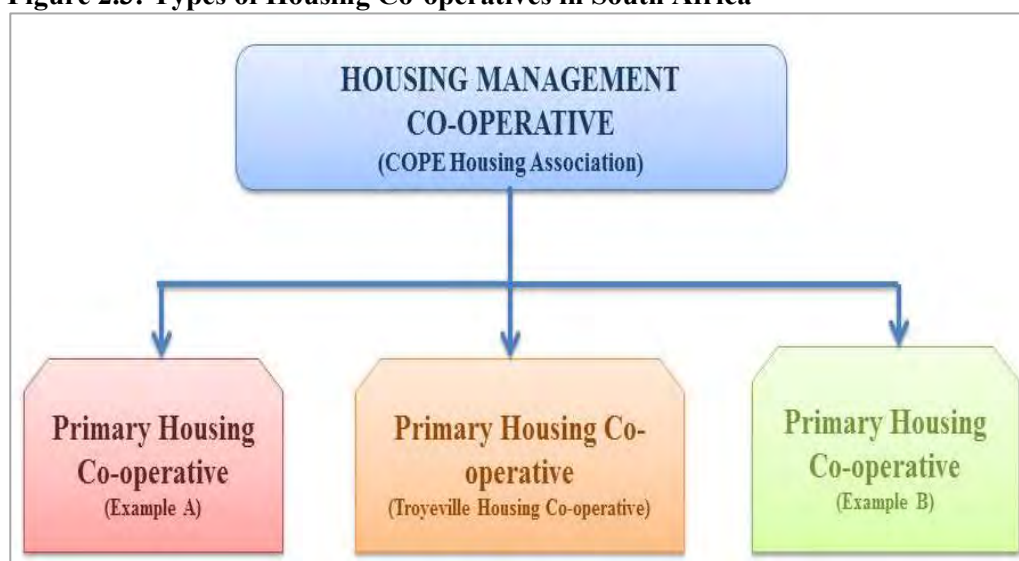
The Breaking New Ground of 2004 which recommends and recognises co-operative housing under the social housing programme as one of the instruments to deliver medium density affordable housing. The Social Housing Policy of 2005 strengthens the delivery of co-operative housing and provides the implementation guidelines, procedures, institutions and organisations to be involved in the delivery of the social housing programme including co-operative housing projects. The Co-operative Act of 2005 legalises, promotes and strengthens the establishment of all sector co-operatives including housing co-operatives. When the Social Housing Foundation was still functional, it made certain that the amended Co-operative Act of 2005 had a section on registering housing co-operatives. Finally the Social Housing Act of 2008 is an enabling legislation for the implementation of the Social Housing Policy of 2005 and it establishes,

promotes and provides the roles and responsibilities of the different actors and institutions involved in the social and co-operative housing sector (Tissington, 2011).

2.5.1. Types of Housing Co-operatives

According to South Africa's Co-operatives Act of 2005, co-operatives exist and function on three levels, but are not limited to these levels, namely; primary (first-level) co-operatives, secondary (second-level) co-operatives and tertiary (third-level) co-operatives. Primary (first-level) co-operatives are those whose members are natural persons and they are relatively small in size. Secondary (second-level) co-operatives have membership of both natural persons and primary co-operatives; they have more capacity and resources than primary co-operatives. Finally, tertiary (third-level) co-operatives have at least one secondary co-operative combined with primary co-operatives and are more advanced and bigger than the secondary and primary co-operatives (Tchami, 2007).

Figure 2.3: Types of Housing Co-operatives in South Africa



Sources: CHFI, 2002; Eglin, 2007b; Jacobs, 2011

The co-operative housing sector was initially facilitated and supported by the Social Housing Foundation in partnership with the Norwegian government and various Provincial Departments of Housing, through the national co-operative housing programme (SHF, ndb). Thus the co-operative housing model used to deliver the pilot projects in South Africa was adopted from the Norwegian mother/daughter system given that it was the main funder. This system has two levels; the housing management co-operative or secondary housing co-operative (mother) providing services to primary housing co-operatives – daughters (SHF, ndb). See figure 2.3 illustrating the two types of housing co-operatives using the COPE Housing Association as an example of a housing management co-operative and the Troyeville Housing Co-operative as an example of a primary

housing co-operative. Refer to table 2.3 for a full explanation of the role and responsibilities of the two types of housing co-operatives. It is essential to note that the housing management co-operative is the umbrella organisation for the primary housing co-operatives. All housing co-operatives at primary and secondary levels have a board of directors - the governing and decision-making body - that represents the entity. At primary level, the housing co-operatives are small in size with fewer responsibilities given that the entities are accountable for the housing project and residents only. At secondary level, housing co-operatives are recognised as housing management co-operatives and they are relatively bigger in size as they are made up of more than one primary housing co-operative (Tchami, 2007; Eglin, 2007b).

Housing management co-operatives assist and establish the primary housing co-operatives by developing and managing them until they are independent and eventually grow into secondary housing co-operatives. A top-down approach is applied, since the primary housing co-operatives rely on the secondary housing co-operative for guidance and direction. Prime examples of such co-operatives in South Africa are the COPE Housing Association and the East London Housing Management Co-operative discussed in the following section (Jacobs, 2011). A housing management co-operative is not limited in the number of primary housing co-operatives it assists as long as it has the capacity to manage, grow and nourish them. Housing co-operatives respond to their members' need for affordable, good quality housing with long term security of tenure as well as safe and controlled communities. The members of housing co-operatives are both tenants and collective owners of their housing projects (SHF, 2000).

In 2002, the Co-operative Housing Foundation International (CHFI), together with the Cope Housing Association and other relevant actors and institutions with technical experience, conceptualized and designed a model that could be adopted and implemented in the South African context. This model was not different from the Norwegian co-operative housing model used for pilot projects, and it is not legalized by parliament but serves as a guideline for future projects (SHF, ndb; CHFI, 2002). The co-operative model consisted of four important and interdependent stages; the housing co-operative establishment stage, the planning stage, the design and construction stage, and the property and entity management stage (CHFI, 2002). This model is explained in detail under section 4.1 in the context of the Troyeville Co-operative Housing Project, given that it was one of the pilot projects that used a similar template. Furthermore there are three types of collective ownership in housing co-operatives: full equity, restricted equity and no equity. In terms of full equity collective ownership, when an individual leaves the housing co-operative, they can transfer their share (and associated rights) to anyone at market rates (Eglin,

2007b). Under restricted equity collective ownership, when a person leaves the housing co-operative they can only transfer their share to someone who is on the waiting list and the price is determined by a formula outlined in the co-operative's constitution. For example, the price could take into account what the original member contributed, plus the value of improvements made by the outgoing person and a percentage for inflation over the period, less any depreciation or transfer or other fees. The last type of collective ownership, no equity, means that when a person leaves the housing co-operative they do not get any money back, just a nominal share. This type of ownership is similar to rental tenure; the difference is that the person rents from the housing co-operative they own, and not from a separate landlord. Collective ownership does not involve a huge financial investment as members jointly manage and maintain their housing stock and run the entity (CHFI, 2002; Eglin, 2008).

Housing co-operatives have the ability to grow and become independent; nonetheless these registered entities have not reached that stage. One of the principles that strengthen them is the strong sense of participation and democracy guaranteed by the one-member-one-vote system when it comes to decision-making (Fish, 2003; Jimoh and Van Wyk, 2010). Housing co-operatives are formed when a group of people in need of affordable and adequate housing come together to organise the development of their own housing, thus covering the whole process from establishing the housing co-operative as a legal entity to the construction of the housing units. The housing co-operative collectively negotiates for land, finance and technical support (a professional team) to help the group build their housing. The members are involved throughout construction and they make decisions on the type of housing to be built; supporting organisations also consult with beneficiaries (Eglin, 2007b; SHF, ndb). Thus the bottom-up approach is applied.

2.5.2. Lessons learnt – Pilot Co-operative Housing Projects in South Africa

Most pilot co-operative housing projects in South Africa were delivered through the abovementioned national co-operative housing programme between the mid-nineties and early 2000s (Rust, 2001; SHF, ndb). The programme ensured that the co-operative housing model received political, financial, technical and administrative support required for it to achieve sustainability (SHF, ndb). These pilot projects were delivered in Johannesburg, City of Cape Town, and East London as medium-density housing flats on vacant land, refurbishment and conversion of dilapidated buildings, so that urban regeneration and renewal could be achieved (SHF, ndb). The first housing co-operative in Johannesburg was planned in an initiative known as Seven Buildings, made up of households/individuals who were working in groups to pay rent collectively (Fish, 2003). However, the group ended up registering a property limited company,

because it did not want to run the risks involved in being a pilot project. This initiative was driven by tenants who wanted to purchase the buildings from the landlords at cheaper prices; collectively, they would own 400 units spread over seven buildings in inner city Johannesburg. Individual ownership was not feasible in the inner city as most families could not afford to buy the apartment units (Tonkin, 2006; Jimoh and Van Wyk, 2010). Subsequently, the Cope Housing Association was responsible for the delivery of 579 co-operative housing units through the four primary housing co-operatives it established, namely; Tswelopele Housing Co-operative, Troyeville Housing Co-operative, Bertrams Housing Co-operative, and Newtown Housing Co-operative. The initial monthly rentals ranged from R 500 – R850 for the Tswelopele Housing Co-operative members; R770 – R880 for the Troyeville and Bertrams Housing Co-operative members; and R710 – R 850 for the Newtown Housing Co-operative members (Philips, 2003).

According to CHFI (2002) the rent and levies were to increase at not more than 8 – 10% and 6 – 8% respectively. The targeted income groups to become members of the housing co-operatives had to be earning between R 2200 to R 3500 per month because it was expected that those in this income bracket could afford the co-operative and social housing projects in the urban areas (Philips, 2003; Tonkin, 2006). The Tswelopele Housing Co-operative and Newtown Housing Co-operative have both been liquidated due to the entities failing to repay the NHFC's long-term loan (Dibetle, 2005; Jimoh, 2012). According to Naidu (2010) the NHFC had agreements with the entities that stated clearly that the financial institution could repossess and sell the housing projects at market-value if the entities failed to repay the loan. The City of Cape Town delivered 3 pilot projects with approximately 392 units through the co-operative housing model (SHF, ndb). The East London Housing Management Co-operative was responsible for the delivery of approximately 200 co-operative housing units within in the Buffalo City Municipality (Eglin, 2008).

In addition to the NHFC loans, the pilot co-operative housing projects were financed through institutional housing subsidy, international and local donors and housing co-operative members' contributions. According to COHRE (2005), the capital subsidies that were offered at the time through the National Housing Subsidy Scheme around South Africa were determined by the level of household income and provided on a sliding income scale. Table 2.3 below provides a summary of the institutional arrangements and financial mechanisms in respect of co-operative housing delivery in South Africa set in place currently, as per the guidelines of the post-apartheid housing policies and legislations. Previously during the delivery of pilot projects, the key role players were third sector organisations such as Afesis-corplan (East London), Cope Housing

Association (Johannesburg), and East London Housing Management Co-operative, in addition to the different housing departments at provincial and Municipality level. These organisations and institutions were critical during the delivery of pilot projects as they provided technical support, knowledge, capacity building and promoted the co-operative housing model in the aforesaid metropolitans. Moreover those third sector organisations were funded by international donors such as the Norwegian Federation of Housing Associations (NBBL), Rooftops Canada and the Swedish Co-operative Centre (SHF, ndb). This section of the study summaries the similar lessons learnt from the delivery of various pilot co-operative housing projects in South Africa, since the pilot project stages.

These lessons are not true for all housing projects but are similar and relevant to ascertain the advantages and disadvantages as well as the strengths and weaknesses:

- The Mother/Daughter model used for the delivery of most pilot co-operative housing projects required a high start-up costs, and consistent monthly rentals/levies that were used to pay the management companies for their services and other costs under the property management phase.
- This model was adopted with assumption that the members who were also tenants would easily adapt, develop and retain self-management skills and competence post-occupancy. However this assumption underestimated the strong desires and preferences the tenants had towards individual ownership, thus neglecting their roles and responsibilities as entities.
- Most members signed up for co-operative housing out of the desperation, because access to housing in the inner-city independently was difficult due to the high-costs of living, lack of access to loans, or affordable land etc. Thus most tenants were not committed to this system of joint ownership, management and participation.
- The grants received from the international donors made the high-initial costs of delivering co-operative housing projects achievable; however this created a dependency on the donors so that co-operative housing could be delivered according to the prescribed model.
- Housing co-operatives achieved amongst other advantages, ‘ubuntu’ meaning a sense of community, tenure security, formal and adequate housing, employment opportunities, integration of different ethnic and income groups for the members.
- The board of directors were prematurely given complete authority over their housing projects before they demonstrated stability, commitment and understanding about their roles and responsibility and this resulted in disastrous consequences during the property management phase.

- The NGOs, NPOs, Municipality and sometimes Provincial officials championed the delivery of co-operative housing projects, thus assuming most responsibilities which left little or no participation from the members of the housing co-operative during the delivery stage.
- The management companies (Mother) envisaged becoming financially self-sustaining institutions through fees for services rendered after some of the international donors withdrew from assisting them. However, unexpected long delays in the delivery, and an incapability to secure further finance left them struggling and eventually led to the liquidation of some institutions.
- Some of the co-operative housing projects in Johannesburg such as the Newtown Co-operative housing project have been sold by the NHFC at auctions to recover the outstanding long-term/ bridging loans by the entities. This is caused by some of the tenants defaulting their monthly rentals and levies, thus making the loan repayments inconsistent and impossible at times.
- Some of the defaults in paying monthly contributions by the members and low rent amounts paid have left to little capital to be able to reinvest back into the maintenance of the buildings.
- The post-apartheid housing policies recommend and support the delivery of co-operative and social housing, however they lean more towards the rental approach and thus promoting social rental housing at the expense of the co-operative housing model.
- According to Matsela (2010) one of the challenges hindering advancement of the co-operative housing model is that government officials do not understand it. Moreover there is a need for detailed legislation on its delivery to be promulgated so that key role-players can use for guidance and understanding.
- Most of the pilot co-operative housing projects in South Africa, especially Johannesburg experienced short-comings during the property management phase and Matsela (2010) adds that such challenges has led to the government having a preference of delivering pure rental social housing.
- Lack of Management Expertise on management of housing co-operatives and their housing projects has been one of the greatest challenges which has led to the forfeiture of numerous housing projects and liquidated entities.

Sources: SHF, ndb: 4, 7, 10, 13; Rust 2001; Eglin, 2008; Naidu, 2010; Matsela, 2010; Jimoh, 2012, DOHS, 2013.

Table 2.3: Summary of Institutional Arrangements and Financial Mechanisms – South African Co-operative Housing Sector

Institution/Actor	Roles and Responsibility	Funding Mechanism
a) Government		
National Department of Human Settlements (NDOHS) previously known as National Department of Housing	<p>NDOHS plays a significant role in the delivery of co-operative housing, by:</p> <ul style="list-style-type: none"> • Ensuring compliance with its constitutional responsibilities which include facilitation through creating housing policies and legislations which ensures adequate and affordable housing is delivered for the targeted income groups (co-operative housing is targeted for the lower-income households). • Establishing and facilitating sustainable national housing development programmes/processes which enable state support and legislation in the case of co-operative housing delivery. • Creating and upholding an environment for co-operative housing by providing legislative, regulatory, financial, and policy framework for the delivery of social housing and in this case co-operative tenure option, thus provide housing policies conducive to co-operative housing development. • Establishing with provinces and municipalities legislations which assist with building institutional capacity including the government, private sector, supporting organisations as well as the accredited housing institution to support social housing programme initiative. • Approving designated restructuring zones submitted by PDOHS and identified by municipalities are specifically provided for in a municipality's integrated development plan – a document which gives a municipality's vision, mission, short-term and long-term goals, basically gives guidance and direction of where the municipality is going and aiming to achieve. • Determining norms and standards to be adhered to by municipalities. 	<ul style="list-style-type: none"> ▪ Responsible for ensuring there are funds allocated for co-operative housing (dispersed at provincial level as institutional subsidies)
Provincial Department of Human Settlements (PDOHS) previously known as Provincial Department of Housing	<p>PDOHS plays a significant role in the delivery of co-operative housing, by:</p> <ul style="list-style-type: none"> • Specifying the process to approve, allocate and administer the funds from NDOHS into the various Capital Grants and Housing Subsidy Strands. In the case of the social housing programme the institutional housing subsidy is allocated. The allocation of these housing subsidies is guided by the demanded housing delivery instruments submitted by the LHD. • Setting out approvals required for the housing projects proposed within its province and timelines as well as the payments process (payments in achieved milestones). • Providing support and regular monitoring of information and capacity building required by the community and the LHD to increase co-operative housing projects within its province. • Ensuring fairness, equity and compliance by the municipalities with the set national and provincial social housing norms and standards. • Ensuring protection of consumers by creating awareness of consumer rights and obligations, thus in the case of co-operative housing, this department would be expected to assist the housing co-operative within their province by providing information, education and training. • Assessing and submitting the proposed designated restructuring zones by the Municipality to 	<ul style="list-style-type: none"> ▪ Institutional Housing Subsidy ▪ Provincial Fund – provided to any accredited institution which meets the Social Housing Programme criteria

	<p>NDOHS for approval.</p> <ul style="list-style-type: none"> Monitoring the construction phase to ensure quality housing stocks are delivered. Facilitating and monitoring the sustainability and growth in the co-operative housing sector by assessing the progress of the housing co-operatives and sustainability of the co-operative housing projects within its province post-construction. Assisting LHD with Land or Buildings purchase by either providing the requested amount or expertise of land acquisition. Managing the municipal progress in respect of the planned and existing social housing programme housing stock. 	
Municipality or Local Housing Department (LHD)	<p>LHD/Municipality plays a significant role in the delivery of co-operative housing, by:</p> <ul style="list-style-type: none"> Initiating and motivating the identification of designated restructuring zones and applying to PDOHS for declaration as of the identified areas as designated restructuring zones. Assisting housing co-operatives to identify and acquire land or dilapidated buildings within the designated restructuring zones as a means of encouraging the development of new co-operative housing stock and the upgrading of existing stock or the conversion of existing non-residential buildings. Facilitating, assisting and monitoring the delivery of social housing programme initiatives in its area of jurisdiction, in the case of co-operative housing delivery it plays a crucial role in stage two and three of the co-operative housing model. The Municipality needs to work closely with the housing co-operatives on the management of the housing stock and the entity for their annual reports that are prepared and submitted by the entity to PDOHS. Providing access or installation of bulk services and municipal infrastructure for approved co-operative housing projects in restructuring zones. Must pursue the delivery of co-operative housing by actively pursuing the development of housing, addressing issues of land, services and infrastructure provision within its area of jurisdiction Must enable housing co-operatives to emerge and be sustainable within their communities Assist in charging housing co-operatives lower municipal rates and also reducing the cost of services for their housing stocks. 	<ul style="list-style-type: none"> Restructuring Capital Grants (obtained if the housing project is delivered within the designated restructuring zone) Infrastructure grants
b) Supporting organisations		
Technical/Professional Team (Private Sector) <ul style="list-style-type: none"> Geotechnical engineer Civil and structural engineers Quantity and Land Surveyor Architect Environmentalist 	<p>The Technical/Professional Team play a significant role in the delivery of co-operative housing, through provision of their expertise in stages two and three of the co-operative housing model, which includes:</p> <ul style="list-style-type: none"> Investigating the identified land/buildings for suitability of housing medium-capacity beneficiaries and providing feasibility reports and layout plans as deliverables. Providing detailed planning and designing reports for the housing project. Assisting and informing the housing co-operatives with technical information (planning, designing and construction) of their housing project. 	<ul style="list-style-type: none"> 15% equity contributions/discount of the overall development cost of their

<ul style="list-style-type: none"> • Project Manager 	<ul style="list-style-type: none"> • Providing guidance and assistance to the building contractors to ensure their drawings and design plans are implemented accordingly. • Assisting with the selection of land, the housing project design, supervision of construction, short and long-term housing project budget (development cost), project operations and management. • Contribute 15% equity contributions towards the development of state funded social housing programme housing projects. 	services.
International Donors	<p>International Donors play a significant role in the delivery of co-operative housing, by:</p> <ul style="list-style-type: none"> • Assisting the housing co-operatives with training and education about the co-operative housing sector • Assisting NDOHS to create housing policies and legislations that support the co-operative housing model and approaches. • Providing funds and technical assistance for setting up, registering, educating and training newly formed primary housing co-operatives as well as developing a thriving co-operative housing sector in South Africa. 	<ul style="list-style-type: none"> ▪ International donations and grants <ul style="list-style-type: none"> - Mainly used for setting up housing co-operative and training and educating them
Department of Trade and Industry (DTI)	<p>DTI plays a significant role in the delivery of co-operative housing, by:</p> <ul style="list-style-type: none"> • Registering the housing co-operatives through the Co-operatives Act. • Giving financial support and assisting with capacity-building to achieve sustainability of the co-operative sector including housing. 	<ul style="list-style-type: none"> ▪ Start-up grants to register the entity (if necessary)
Social Housing Regulatory Authority (SHRA) previously Social Housing Foundation (SHF)	<p>The SHRA is one of the most important institutions in the establishment of housing co-operatives and its responsible for the following:</p> <ul style="list-style-type: none"> • Approving applicants of the social housing programme as an accredited housing institution so they can develop medium-density housing. • Regulating all accredited housing institutions (including housing co-operatives) in obtaining or who have obtained public funds (housing subsidies/capital grants) to allow for the undertaking of approved housing projects. • Authorizing service providers (technical/professional team). • Assisting accredited housing institutions with organisational development, capacity building and institutional support as well as obtaining international donor funding. • Promoting the development and awareness of accredit housing institutions as well as assisting them in meeting accreditation criteria as housing co-operatives. • Assisting when requested by the NDOHS in the process of approving designated restructuring zones and facilitating national social housing programmes. • Advising NDOHS with regards to the development in the Co-operative housing sector • Ensures enforcement and compliance by the accredited housing institutions to the norms and standards in place for the social housing programme. • Responsible for promoting both rental and co-operative housing 	<ul style="list-style-type: none"> ▪ Provision of grants which include the restructuring grant and institutional capacity building grant

National Housing Finance Corporation (NHFC)	<p>NHFC is a wholesale lender created in 1996 as a joint venture between financial institutions and the government, is responsible for the following in the case of co-operative housing delivery:</p> <ul style="list-style-type: none"> • Setting up and specifying the eligibility criteria for loan funding of housing projects under the social housing programme. • Providing development loans to accredited housing institutions. • Stipulating the terms and conditions of loan funding in the case of repayment terms, interest rate, and attached conditions (such as guarantees, collateral) 	<ul style="list-style-type: none"> ▪ Development loans: <ul style="list-style-type: none"> - Bridging/short term loan finance - long term loan finance
National Homebuilders Registration Council (NHBRC)	<p>NHBRC was created in 1997 to achieve the following responsibilities in the case of co-operative housing delivery:</p> <ul style="list-style-type: none"> • Ensuring quality housing stocks are constructed by the building contractors. • Monitoring design plans submitted by the various engineers' yields sustainable housing units that abide to the set social housing programme norms and standards. • Providing an exclusive regulatory function and protection in the home building environment. 	<ul style="list-style-type: none"> ▪ Not applicable
National Urban Reconstruction and Housing Agency (NURCHA)	<p>NURCHA was created to provide guarantees for commercially loaned bridging finance by developers in this case the primary housing co-operatives. Construction finance lender as well. The guarantees issued by NURCHA are mainly available to assist developers that meet a certain criteria i.e. no assets to qualify for development loans.</p>	<ul style="list-style-type: none"> ▪ Guarantees
HOUSING MANAGEMENT CO-OPERATIVE	<p>The housing management co-operative is a secondary housing co-operative created to achieve the following:</p> <ul style="list-style-type: none"> • Assistance in establishing and registering interested households/individuals as a primary housing co-operative and creating its own policy/regulatory documents such as the code of conduct, user/occupancy agreements. • Assists the primary housing co-operatives with applications to become legal entities and accredited housing institutions with SHRA and Registrar of Co-operatives. • Assists SHRA in searching for international donors to support newly developed housing co-operatives with funding and supporting the housing co-operative members to become well acquainted with the international co-operative principles. • Operates as an umbrella organisation which assists in establishment, development and long-term management services for housing co-operatives and their housing projects. • Assists with securing finance mechanisms for the delivery co-operative housing. • Establishes the membership fee and share value for the housing co-operative members. • Supervises and ensures the primary housing co-operative is well informed about the co-operative housing model. • Assists with property management when the members have moved into the housing project by providing on-going support maintenance and management issues in accordance with the "Property Management Agreement" or user/occupancy agreement until the entity is ready to handle this phase on their own, then they hand over to the Board of Directors. • Assists with forming and training the Board of Directors of the primary housing co-operative in 	<ul style="list-style-type: none"> ▪ Must offer Bridging Finances to new primary housing co-operatives

	the operation and management of their housing project and entity.	
c) Primary Housing Co-operatives (Example is Troyeville Housing Co-operative)		
Board of Directors (BOD)	<p>The Board of Directors are responsible for:</p> <ul style="list-style-type: none"> • Effective management of the housing project and entity. • Acting as the governing and decision-making body on behalf of the primary housing co-operative members. • Accountability and transparency for the actions of the entity and this includes financial management, governance arrangement, property management, development and training of the entity. • Managing the housing co-operative on a day-to-day basis. • Serving the entity on a voluntary basis. • Responsible for the collection of the monthly user charges from members. • Facilitate the administration of the members, with assistance from the housing management co-operative, as the beneficiaries 	<ul style="list-style-type: none"> ▪ Residents equity/financial contribution
Housing Co-operative Members	<p>Housing Co-operative Members are responsible for the following:</p> <ul style="list-style-type: none"> • Recruiting amongst themselves interested individuals/households who want to form housing co-operative and establish the name of the entity. • Must be committed and support the own policy/regulatory documents to ensure the entity functions well and is sustainable. <ul style="list-style-type: none"> - Continued existence of the entity and the housing project depends on the members' commitment. • In their management and operational structures must brainstorm innovative ways to make the housing co-operative entrepreneurial. • Obligated to buy a share as a symbol of their ownership in the housing co-operative. • On joining the housing co-operative, they also make an initial membership contribution. • Once they occupy the units, they pay a fixed monthly amount. <ul style="list-style-type: none"> - This covers basic expenses, including loan repayments, maintenance, insurance, utilities, management fees and administration monthly user charges to manages the entire housing stock • Members elect the BOD, approve the budget and financial statements for their entity and housing project, and generally set their own policy/regulatory documents such as the code of conduct, user/occupancy agreements. 	<ul style="list-style-type: none"> ▪ Residents equity/financial contribution

Prepared by: Researcher

Sources: Housing Act, 1997; CHF, 2002; Government Gazette, 2005; Department of Housing, 2004&2005; Social Housing Act, 2008; Housing Code, 2009

2.6. International Co-operative Housing Experience

This section examines and discusses the key lessons from international co-operative housing precedents. These assisted the researcher in setting up and writing the empirical part of this study in chapter four, and the recommendations for this study. The key lessons from the international experience are analysed systematically to form a basis for interpreting and analysing the data in chapter 4 of the study. The co-operative housing sector has flourished in many developed countries such as Norway, Sweden and Germany because of support from the responsible key actors and institutions. However the sector has experienced some shortcomings due to the lack of understanding by some government officials and the targeted households (Jimoh, 2012). Thus this section explores and establishes the advantages and disadvantages, weaknesses and strengths of co-operative housing in different countries.

While housing co-operatives were introduced for various reasons in different countries, they were commonly introduced to address housing problems that were challenging their governments. Housing co-operatives were successful after the Second World War in European countries such as Norway, Sweden and Germany. This model was utilized by numerous lower-income earners to reconstruct their lives after the war; it enabled many who had been left homeless by the war to obtain housing units (Hands, 1975). Housing co-operatives were a strategy to increase the number of role-players responsible for housing delivery, and to access credit and financial assistance from well-established institutions (Pedersen, 2003). In India, the co-operative housing movement began developing during the 20th century; since then, housing co-operatives have gained much credibility in addressing the housing challenges confronting the country (Khurana, 2012).

The co-operative housing delivery system was introduced in Tanzania in the early 1970s by the International Co-operative Housing Movement and the United Nations to increase the number of actors responsible for housing delivery and to assist the government in reducing the housing backlog. In the early 1990s, the government loosened its grip on the co-operative housing sector and assumed an enabling role in order to allow these co-operatives to mature (Nnkya, 2001). In Canada, the co-operative housing model was introduced through the student movement to obtain low-cost housing for students; the model was later used to house lower-income earners. The Canadian housing programmes prior to 1970 failed lower-income earners, and led to a rapid increase in slums within the country. However, the government and private developers' hostility hampered advocacy for the co-operative housing model. Thus students and lower-income families banded together to promote the model, resulting in the amendment of the National Housing Act to

allow for funding mechanisms that support housing co-operatives (Gazzard, 2012). In Sweden, housing co-operatives were historically promoted by the government to assist with alleviating housing shortages, and later they become one of the main role-players responsible for housing development (Lago and Matic, 2012). In Zimbabwe, high rates of urbanisation contributed to a large housing backlog; the country had an urban housing deficit of more than 60 000 housing units by 1992, rendering almost 40 percent of urban households homeless. This inflated rentals and many lower-income earners turned to the co-operative housing model to meet their housing needs. Housing co-operatives were legally recognised in 1985, and the first was formed in Bulawayo, Zimbabwe's second largest city. Since then there has been an exponential increase in housing co-operatives in Zimbabwe (Okpala, 1992; Kamete, 2006).

2.6.1. International Housing Co-operatives Movement

The success of the co-operative housing movement is measured by the total number of co-operative housing projects registered, how active they are and their level of success in delivering housing in each country (Jimoh and Van Wyk, 2010). In 1984, there were 34 000 primary housing co-operatives in India with more than two million members. By 2011, the number of housing co-operatives had increased to more than 100 000, with close to seven million members. Furthermore, the number of housing units delivered increased from 48 000 to approximately 260 000 within just two decades (Okpala, 1992; Khurana, 2012). The successful growth of housing co-operatives began in the early 1960s in Turkey, with an increase of 3.4 percent over a period of four years. By the late 1970s, the number of housing co-operatives had increased by more than 13 percent. In 2011, there were more than 54 000 groups with an estimated total membership of two million (Okpala, 1992; Aksoy and Aydogus, 2012).

In Africa, the co-operative housing production system has been actively promoted in various countries. However, it has not been well received in most countries and has had little impact because of the manner in which it was introduced through colonialism and the lack of understanding of the potential of such housing (Okpala, 1992; Tchami, 2007). Norway has more than 5 000 housing co-operative groups with approximately 840 000 members, who have built more than 250 000 fifty housing units. Furthermore, the co-operative housing projects contribute close to 15 percent of the country's total housing stock, accommodating more than 30 percent of lower-income households (Eek and Halvorsen, 2012). While the number of housing co-operatives and the number of housing projects delivered has grown in African countries such as Egypt, Tanzania, and Zimbabwe, this growth is minimal compared with developed countries (Okpala,

1992; Nnkya, 2001). In 1985, there were more than 23 housing co-operatives in Tanzania and approximately 650 affordable housing units had been delivered (Okpala, 1992). Housing co-operatives in Egypt can be regarded as successful as they accommodate more than a third of the country's population. More than 2 000 entities own a total of more than 500 000 housing units (Mesiry, 2012). By 1980, Zimbabwe had more than 12 registered urban housing co-operative groups; this increased to approximately 180 by the mid-1990s. Since then, more than 3 000 affordable housing units have been delivered by the housing co-operatives for their members and non-members (Kamete, 2006).

The key successes of the co-operative housing model in Zimbabwe have been members' ability to accumulate savings that cost less to administer and the mutual security achieved through the collective repayment of loans which eliminates the dangers of defaulting on repayment. Furthermore, the management costs in stage four – the property management phase – have been reduced by members' willingness to volunteer their services during this phase (SHF, 2000). Canadian housing co-operatives have provided more than 250 000 houses to date. The country has a total of 2 000 groups with 110 000 thousand members (Gazzard, 2012). In Sweden, co-operative housing has contributed more than 25 percent of the total housing stock, with almost one million housing units. There are approximately 6 500 housing co-operatives with more than a million members. The success of the co-operative housing sector in Sweden is due to many reasons, including the funding mechanisms and support structures in place for project delivery (Lago and Matic, 2012).

2.6.2. International Co-operative Housing – Legal Frameworks in place

Legal frameworks in the form of housing policies, acts or programmes should be in line with the ICA principles in order to promote the development of co-operative housing. Most housing co-operatives in countries like India, Tanzania, Canada, Norway and Germany were established without assistance from the government. However, their successful delivery of low-cost housing made governments realise the importance of supporting them. In the early 1990s, the United Nations Centre for Human Settlements (UNCHS) argued for an 'enabling approach' in housing policies that recognises and supports third sector organisations as additional key actors in the delivery of lower-income housing projects. It was envisaged that such support would gradually remove the legal and technical limitations preventing the co-operative housing sector from growing. Most countries promulgated successive five year plans which included detailed implementation plans for the delivery of co-operative housing projects (Jimoh and Van Wyk,

2010; Khurana, 2012). The Canadian government has set up a programme to support the development of housing co-operatives under its National Housing Act. Housing legislative frameworks are also in place at provincial level; these govern the conduct and determine the organisational rules of housing co-operatives. The advantage of adopting these legal frameworks at provincial or municipal level is that it avoided the 'one-model fits all' approach. Policies at ground level were/still relevant and well acquainted with the needs and expectations of the targeted income groups, the lower-income households. The success of the Canadian housing co-operatives can be attributed to the legal mechanisms in place that allowed these co-operatives to flourish. Such mechanisms promoted the capacity building of the key actors, particularly newly established housing co-operatives, and governments as the main supporting bodies (Herbst, 2010; Gazzard, 2012).

The Swedish government has promulgated two national Acts which set out organisational rules and the business conduct of housing co-operatives (Lago and Matic, 2012). The central government in Norway also created an enabling environment through legal mechanisms such as housing programmes which specifically target the development of the co-operative housing sector. Although housing co-operatives were successful before this legislation was promulgated, it has made a significant contribution to establishing and strengthening the sector (Pedersen, 2003). In Egypt, special legislation known as the Housing Co-operatives Law of 1981 was passed to support the establishment and growth of the co-operative housing sector. The Egyptian government limited its role to supporting housing co-operatives so they could be able to access public funds and be wholly exempted from taxes (Mesiry, 2012).

2.6.3. International Co-operative Housing – Financial Mechanisms in place

Co-operative housing projects are intended to be affordable; non-market related housing models for lower-income earners (Jimoh and Van Wyk, 2010). It is easier for housing co-operatives to access credit than individual lower-income earners. By the late 1980s, the housing co-operatives in India had accessed more than 700 million Rupees of approved loans from formal financial institutions (Okpala, 1992). Currently the housing co-operatives are supported by the state as well as through various funding mechanisms such as low interest rates for loans, targeted subsidies and guarantee schemes (Khurana, 2012). In Canada, the state government decentralized the funding of housing co-operatives to make funds available at provincial and municipal levels. Various funding schemes were put in place under the housing programmes that supported the development of the co-operative housing sector. The funding mechanisms include, but are not limited to, subsidies

that cover the capital cost payments, low interest rates on long-term repayments, housing allowances, construction phase grants and on-going financial assistance during the property management phase to decrease operational costs (Herbst, 2010; Gazzard, 2012). The Social Housing Foundation (2000) notes that the Canadian government introduced guarantee schemes to reduce the level of risk borne by financial institutions in extending mortgage loans to lower-income housing co-operatives. In Norway, co-operative housing projects are financed in the construction phase by mortgage loans from the national Housing Bank. The loans cover 60 to 70 percent of the building costs, and are repayable over 30 years at low interest rates (Eek and Halvorsen, 2012). Other building costs are covered by housing co-operative members' contributions. These contributions can be acquired through personal loans or borrowed from a bank, employer or an insurance company.

The monthly rents paid by members contribute towards the payment of interest on mortgage instalments and these payments are tax deductible, thus serving as a 'hidden subsidy' (SHF, 2000). Furthermore, public financial support from the government mainly targets low- to moderate-income households or those with special needs (Eek and Halvorsen, 2012). In Zimbabwe, funding from the government and the private sector for housing co-operatives is conditional on the housing co-operative membership's contributions and savings. This promotes members' commitment to deliver their own houses. The performance of internal funds (savings) determines the flow of external funding in the form of loans, bilateral funding, and grants from the government and financial institutions. Thus, the mortgage loans made available are proportional to the members' savings, but the loan amount cannot exceed 75 percent (SHF, 2000).

Zimbabwean housing co-operatives are not only mobilisers of their own housing projects but they are allowed to become financial institutions that provide mortgages to individuals or entities who want to build or buy affordable houses (Kamete, 2006). In Egypt, the funding mechanisms in place for co-operative housing include personal and family savings, financial contributions from the General Building and Housing Co-operative Authority (GAHBC), and low interest rates on loans. The GAHBC was created in the mid-1950s to assist groups who wanted to form housing co-operatives and provide their own housing (Okpala, 1992). The state provided significant funding in the form of loans; in the early 1990s, close to 1.2 billion Egyptian pounds was approved as loans. This support from the government resulted in an exponential increase of housing co-operatives and membership in the country (Mesiry, 2012). The Housing Co-operatives Law of 1981 supports the development of housing co-operatives in Egypt. It provides for housing

co-operatives to be exempt from various taxes and fees attached to the delivery of housing projects. They are also exempt from banks charges, fees levied by municipalities, tax on primary building materials, and fees on contracts and mortgages, building licences and land allocation. Furthermore, the housing co-operatives receive a 25 percent discount on all land owned by the government; this can increase to around 50 percent with the approval of the Minister of Finance (Mesiry, 2012). In Tanzania, funding for housing co-operatives includes loans, members' contributions and some grants from the government. However, the housing co-operatives are required to fulfil a number of conditions in order to be granted loans. These include registration as a non-profit entity; that the members cover 25 percent of the project total cost; the entity must reside in and build its housing project in an urban area; and the entity must have a title deed registered in its name for the piece of land they will use for development (Nnkya, 2001). In other words, housing co-operatives in Tanzania have to prove themselves worthy of support from the government or financial institutions.

2.6.4. International Co-operative Housing – Key Institutions and Actors in place

Key actors and institutions are very important in the delivery of co-operative housing projects as they support and assist the sector to grow, flourish and successfully provide housing for many lower-income earners. In Norway, the housing co-operatives used a model based on the Oslo Bolig OgSparetag (OBOS) programme in the early 1930s. This model promotes the successful delivery of co-operative housing by providing financial assistance and selling housing units at very low prices for entry level working members (Hands, 1975). In 1946, 28 housing co-operatives formed the Norwegian Federation of Co-operative Housing Association (NBBL). The NBBL assists housing co-operatives through a broad range of activities, ranging from representations to the Norwegian Parliament to developing and providing a variety of benefits, products and services.

It functions as a secondary housing co-operative, and offers the primary housing co-operatives under it a wide range of management services (Eek and Halvorsen, 2012). The NBBL is monitored and supervised by the Ministry of Housing that enforces the legislation relating to housing co-operatives. This ministry has the power to review administrative and financial management and monitor the Boards of Directors, managers and employees involved in the delivery, maintenance and management of the co-operative housing projects. The Norwegian authorities work in close co-operation with the housing co-operatives at both central and local levels. The central government offers targeted subsidies and loans and grants on favourable terms,

while local government provides affordable land and infrastructure. Furthermore, the Norwegian State Housing Bank offers loans which cover up to 80 percent of the costs of the development (SHF, 2000; Pedersen, 2003; Eek and Halvorsen, 2012). In Zimbabwe, local government became involved in urban housing delivery as early as the nineteenth century – the period that coincided with urbanisation in the country. Local government has assisted housing co-operatives since that time, mainly by donating land (Ashton, 1969 cited in Kamete, 2001). The central government supported the housing co-operatives through its housing policies, which recommended that, building standards be reduced in order to make housing affordable, that various financing mechanisms be made available and that the private sector become involved. Thus the co-operative housing model was introduced to fill the gap between housing demand and supply among lower-income earners (Kamete, 2001).

Zimbabwean housing co-operatives have been fairly independent in terms of ownership and decision-making. These entities are purely owned by their members, who are responsible for electing the leadership, ensuring good practice, undertaking organisational education and training before registration and the adoption of a constitution to govern their operations (Kamete, 2006). In some countries, housing co-operatives act in similar manner to the ‘government’. In India, housing co-operatives operate in a four-tier structure which includes municipal, district, state-level and national housing co-operative federations. The National Co-operative Housing Federation is the highest ranking housing co-operative and it supports, strengthens, promotes, co-ordinates and facilitates the development of the housing co-operatives that fall under it (Khurana, 2012).

2.6.5. International Co-operative Housing Experience – Summary

The co-operative housing model requires time and patience from its key actors. As noted throughout section 2.6, co-operative housing models have primarily been successful in developed countries. This can be attributed to the support these countries have offered in the form of responsible role-players, financial mechanisms and institutional arrangements, well-functioning co-operative housing models and years of experience. Most housing co-operatives in developed countries have been in existence since the Second World War; thus co-operative housing requires time, patience and commitment to be established and flourish. Although the neo-liberal theory and enabling approach recommend that the government’s role should be limited to enabling lower-income households to function through housing policies. The success of most co-operative housing projects has depended on extended support from the government in the form of funding, capacity building and housing policies. In order for the co-operative housing sector in South

Africa to be successful, the country could apply some of the principles adopted by the developed countries; however, it should not duplicate these models because the contexts are not the same. The co-operative housing model can work in any country provided that lower-income households receive the support they require, especially in areas that hamper them from forming an entity. Patience and technical experience are key factors in the delivery of co-operative housing projects. However, this may be a challenge in that there is increasing demand for affordable housing in many countries. Replication through a 'one-model-fits-all' approach is not ideal for co-operative housing, as different countries have different contexts, strengths and weaknesses. Thus, countries need to design a co-operative housing model that suits their contexts and educate interested households about the concepts and principles that frame the model. This section noted that housing co-operatives in some developed countries had similar financial mechanisms and institutional arrangements in place. Common funding mechanisms include but are not limited to loans, government subsidies and grants and the housing co-operatives' contribution in the form of equity or savings.

The common institutional arrangements in place include legislative frameworks prepared by the government and in special cases by successful housing co-operatives. The key role-players include but are not limited to the different tiers of government, private sector institutions and the housing co-operatives. The legislative frameworks set out the roles and responsibilities of the actors and institutions in strengthening and supporting such housing. Housing co-operatives around the world help alleviate poverty and provide affordable housing for their members and other lower-income earners. They thus serve as additional actors in the delivery of affordable housing for lower-income households. Thus the success of most housing co-operatives in different countries can be attributed to the legal mechanisms in place that allow these co-operatives to flourish. Such mechanisms promoted the capacity building of the key actors, particularly newly established housing co-operatives, and governments as the main supporting bodies in most countries.

2.7. Conclusion

The Housing White Paper of 1994 and subsequent post-apartheid housing policies recommend and support the delivery of co-operative housing in South Africa. The policies favour co-operative housing because it has the potential to reduce the housing backlog and increase the number of role-players responsible for delivering affordable housing. This chapter examined and discussed the theoretical frameworks which frame the delivery of co-operative housing in South Africa and

reviewed the literature to derive lessons from international experience. The theoretical framework assisted the researcher to develop an understanding of the influences and ideologies that shape post-apartheid housing policies that recommend the delivery of co-operative housing. These include the Neo-liberal Theory and the Enabling Approach. The discussion on the conventional approach to housing delivery identified the necessary procedures, institutions and type of housing product that the co-operative housing model in South Africa intends to deliver for the low to moderate income households. The background to the co-operative movement traced the origins and development of co-operatives, including housing co-operatives in general, and these organisations' strengths and weaknesses. Housing co-operatives in South Africa function slightly differently from international housing co-operatives; this chapter also explored these differences. Finally, international precedents were examined in order to determine the strengths and advantages of co-operative housing. This chapter assisted the researcher in setting up and writing the empirical part of the study, reported on in chapter 4. This chapter also discussed the evolution of the co-operative housing sector, types of housing co-operatives and the lessons learnt from the delivery of pilot projects in South Africa.

Chapter 3: Background of the Case Study - Troyeville Housing Co-operative

3.0. Introduction

The study examines the co-operative housing model in depth in order to determine the extent to which it is able to provide affordable housing for lower-income households. Mackay (1999) notes, that, the abolition of racial segregation in South Africa led to massive migration into the urban areas as people sought better livelihoods. However, most of these migrants could not afford available housing and this resulted in municipalities such as Johannesburg experiencing housing challenges. This chapter focuses on the historical background of the Troyeville Housing Co-operative with emphasis on the formation of the entity, the members' social, educational and economic statuses, as well as the location of the housing project. The motivation for selecting this case study located in Johannesburg is also discussed. The chapter builds a foundation for the research findings of this study.

3.1. Historical Background – Troyeville Housing Co-operative

The Troyeville Housing Co-operative was formed by the Cope Housing Association in the mid-1990s to deliver one of the first Greenfield and pilot co-operative housing projects in Johannesburg. The project was completed in 2001. Former Gauteng MEC for Housing, Mr Paul Mashatile officially opened the project with 120 housing units (Office of the Housing MEC, 2001). The Troyeville Co-operative housing project is a medium density development located within the low-density residential neighbourhood of the area known as Troyeville. The beneficiaries are also members of the Troyeville Housing Co-operative. The total population of the Troyeville Housing Co-operative is made of 120 members and 95% are African people, 3% are Coloured, and 2% Indians from the different provinces of South Africa who came to Johannesburg in search of employment in the early 1990s. Thus the Troyeville Housing Co-operative achieves integration of different cultures and races (COPE HA Archives, 1999; THC – BoD, 2014).

During the conception stages most of the beneficiaries were earning between R2 800 and R3 500 per month and employed as unskilled and semi-skilled workers in the retail, commercial, manufacturing and construction sectors, and some were self-employed as formal and informal traders. These beneficiaries had to submit proof in the form of affidavits, payslips or bank statements that they met the income range specified. In subsequent years until presently some of the members have self-developed themselves through education, and received better occupations

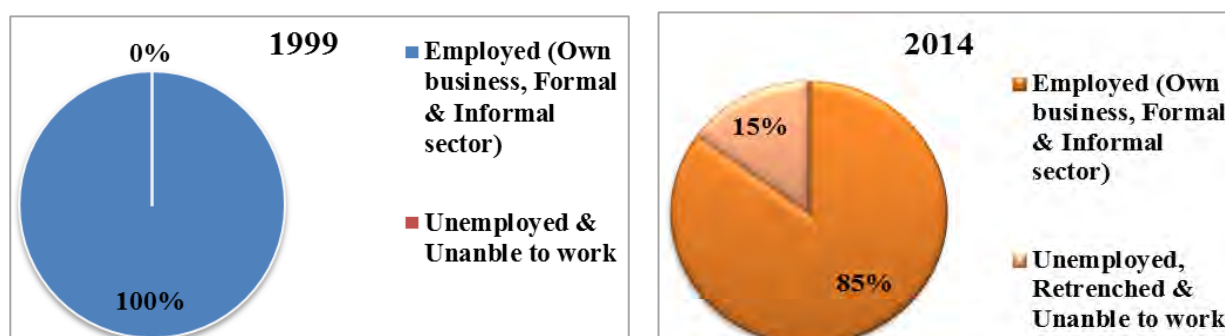
with increased salaries (70% of the members fall under this category) – refer to table 3.1. Currently, the educated members of the Troyeville Housing Co-operative have increased by approximately 35% resulting in a decrease of about 25% for the uneducated members. The employed Troyeville Housing Co-operative members have dropped by 15% since 1999, thus presently only 85% of the members are employed, and the rest are either retrenched or unemployed – see figure 3.1. The unemployed and retrenched members have been experiencing challenges in terms of defaulting with their monthly rentals and levies (COPE HA Archives, 1999; THC – BoD, 2014).

Table 3.1: Troyeville Housing Co-operative Members – Educational Status

	1999	2014
Educated (Secondary School level, Tertiary level)	35%	70%
Uneducated (No schooling, Primary School level)	65%	30%

Source: COPE HA Archives, 1999; THC – BoD, 2014

Figure 3.1: Troyeville Housing Co-operative Members – Economic Status



Source: COPE HA Archives, 1999; THC – BoD, 2014

Since 1999 until now, the disabled, ill-health, and deceased rate of the members has increased by more than 10%, resulting in change for some households, and making children (mostly over 18 years) and woman breadwinners (COPE HA Archives, 1999; THC – BoD, 2014). Table 3.2 below indicates that during the conception stages the entity had no child-headed households, because the members had to be twenty one and above in order to qualify. Currently the statistics have changed and there are households headed by children and the households headed by females have slightly increased (THC – BoD, 2014). The Troyeville Co-operative housing project accommodates less than 8% of people with disabilities (SHF and SHIFT, 2005). Figure 3.2 illustrates that initially the Troyeville Housing Co-operative members were predominantly healthy tenants with only 8% of the units allocated to disabled tenants as per the requirements of the Gauteng Department of

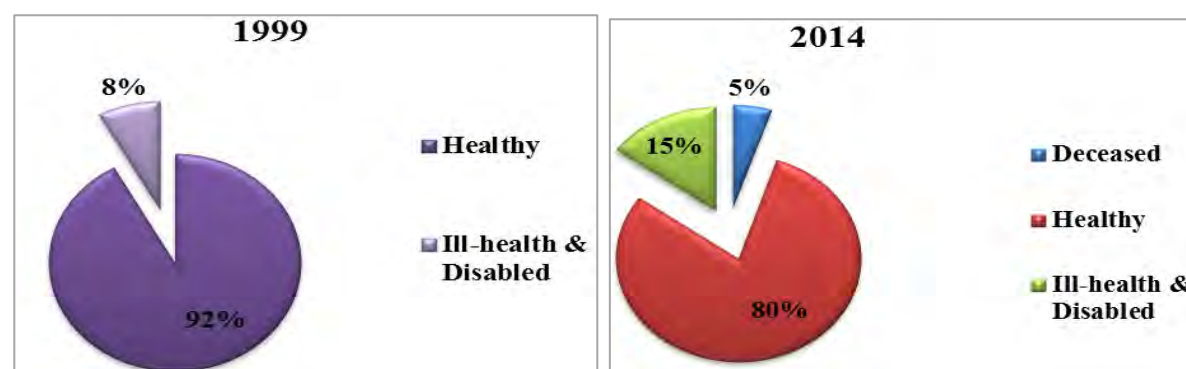
Housing. Presently five per cent of the members are deceased and approximately 15% are disabled and ill-health. According to the Cope Housing Association – Project Leader (2012), the organisation in partnership with the Gauteng Department of Housing, it began compiling a waiting list of households who required government intervention and assistance to improve their living conditions. Most of the Troyeville Housing Co-operative members were selected from this list and also recruited through media adverts (Gauteng Department of Housing, 2009).

Table 3.2: Troyeville Housing Co-operative Members – Head of Households

	1999	2014
Male-headed Households	60%	50%
Female-headed Households	40%	45%
Child-headed Households	0%	5%

Source: COPE HA Archives, 1999; THC – BoD, 2014

Figure 3.2: Troyeville Housing Co-operative Members – Health Status



Source: COPE HA Archives, 1999; THC – BoD, 2014

Acting as the secondary housing co-operative, the Cope Housing Association helped to form this entity and registered it as a trading co-operative under the Co-operatives Act of 1981. Although the entity was registered as a trading co-operative, it functioned as a primary housing co-operative. The Cope Housing Association applied the top-down approach in forming this entity. The Cope Housing Association presented the co-operative housing model to the newly formed entity as an alternative tenure option for affordable housing which could facilitate access to housing finance in the form of subsidies and loans (Fish, 2003; Matsela, 2010). During the pilot project era, the co-operative housing sector in Johannesburg was highly dependent on the Cope Housing Association, given that it understood the model well and had international support. The association also had access to resources, in addition to local and international support in the form of finance, capacity and technical experience for the delivery of co-operative housing projects.

Thus the Cope Housing Association was the main actor that mobilised households to form the entity and groomed, trained, and facilitated the entity in Johannesburg (Rust, 2001; Fish, 2003). The co-operative housing model used for the Troyeville Co-operative Housing Project was adapted from the Norwegian Co-operative Housing model known as the Mother-daughter model. Thus the Cope Housing Association assumed the role of mother and parented the Troyeville Housing Co-operative as the daughter co-operative. This relationship was managed by various agreements (SHF, ndb; CHFI, 2002). The housing project was born out of the partnership between the Gauteng Department of Housing, the National Housing Finance Corporation (NHFC), various international donors including the Norwegian Government, the United States Agency for International Development (USAID), to mention a few, and the Cope Housing Association.

The Gauteng Department of Housing was the main funder, providing institutional housing subsidies, while the NHFC provided long-term loans, and various international donors offered additional funds, mainly for establishment of the housing co-operative (Office of the Housing MEC, 2001). Furthermore the Cope Housing Association was the main actor, project leader and facilitator for the successful delivery of the Troyeville Co-operative Housing Project (SHF, ndb). The housing project aimed to rehabilitate a dilapidated area in Troyeville which negatively affected the quality of life of residents in the area. The land used for the project was previously used as a dump site, thus depreciating the value of the surrounding residential units (SHF and SHIFT, 2005). The Troyeville Co-operative Housing Project offered an alternative tenure option in the form of collective ownership.

This concept was new to the different role-players involved, but its delivery was rated successful by the then MEC and the Gauteng Department of Housing as well as the professional team from the private sector and Troyeville Housing Co-operative members (residents) to name but a few. The housing project won the Best Social Housing Projects award in 2002 from the South African Institute of Housing (SHF and SHIFT, 2005: 2). The award recognised the manner in which it fostered a sense of community amongst residents, which is a prerequisite for a sustainable housing co-operative project. The delivery of the Troyeville Co-operative Housing Project was designed to achieve the Housing White Paper of 1994's objectives which include supporting and empowering emerging enterprises owned by black people. Thus the professional team was made up of mainly black-owned companies and they did an exceptional job considering that most were still fairly new in the delivery of such housing projects (Office of the Housing MEC, 2001).

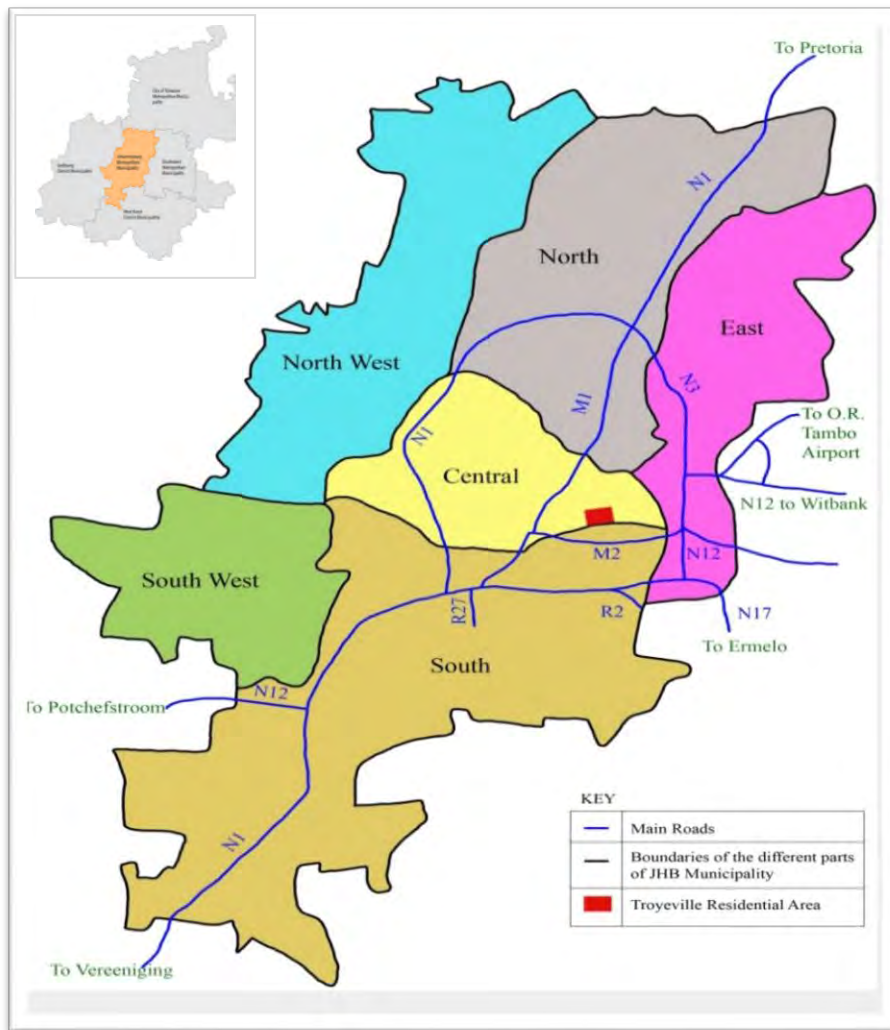
3.2. Location of Troyeville Co-operative Housing Project

The discovery of gold in the late eighteenth century led to the establishment of the town of Johannesburg, as people streamed into the area in search of work. From the time of its establishment, Johannesburg was characterised by inequality in the provision of land, housing and basic services. The settlement patterns, land tenure arrangements and housing conditions were highly influenced by racial segregation. In common with other South African towns, Johannesburg was developed for the convenience of small minority, the white race, who lived in well-serviced, centrally located suburbs in the inner city. White lower-income groups resided in high-rise buildings whilst middle- to high-income groups lived in low rise houses. These areas were in close proximity and walkable distances to employment opportunities and educational, health and social amenities (COHRE, 2005; Wilkinson, 1998).

The Troyeville Co-operative Housing Project is located at the edge, northeast of the Johannesburg CBD and it is in close proximity to public transport routes, Standard Bank Arena, Ellis Park Stadium, East Gate Mall, University of Johannesburg, range of convenience stores, and small commercial offices amongst others (Google, 2014; THC – BoD, 2014). The co-operative and social housing projects were intended to be included within these areas in order to make them affordable and sustainable. Furthermore, these sectors were strategically chosen as an alternative tenure option for lower-income groups and also as an urban renewal plan to re-attract investment to the areas (Department of Housing, 1994; Mahabane and Fife, 2001; Fish, 2003). In the mid-1990s, the Gauteng Department of Housing began buying vacant land and deteriorating high-rise buildings to refurbish with the intention of developing adequate and affordable medium-density co-operative and social housing (Tonkin, 2006).

The vacant land that was used for the Troyeville Co-operative Housing Project was bought by the Gauteng Department of Housing on behalf of the entity. The Troyeville Co-operative Housing project is in a well located area not far from the Johannesburg CBD. It is located just off the busy main Bezuidenhout artery road into Hillbrow, onto the M1 (refer to Maps 3.1 and 3.2). It is situated on the corner of Cornelia Avenue and Beelaerts Street. The Troyeville area was zoned as a white lower-income residential area during the apartheid era and other ethnic groups were not allowed to reside there. Thus the Greenfield development sought to address this unfair practice and achieve racial and cultural integration as well as reverse urban decay (SHF and SHIFT, 2005). One of the objectives was to locate this housing project in close proximity to social and economic amenities (Ngomba, 2011).

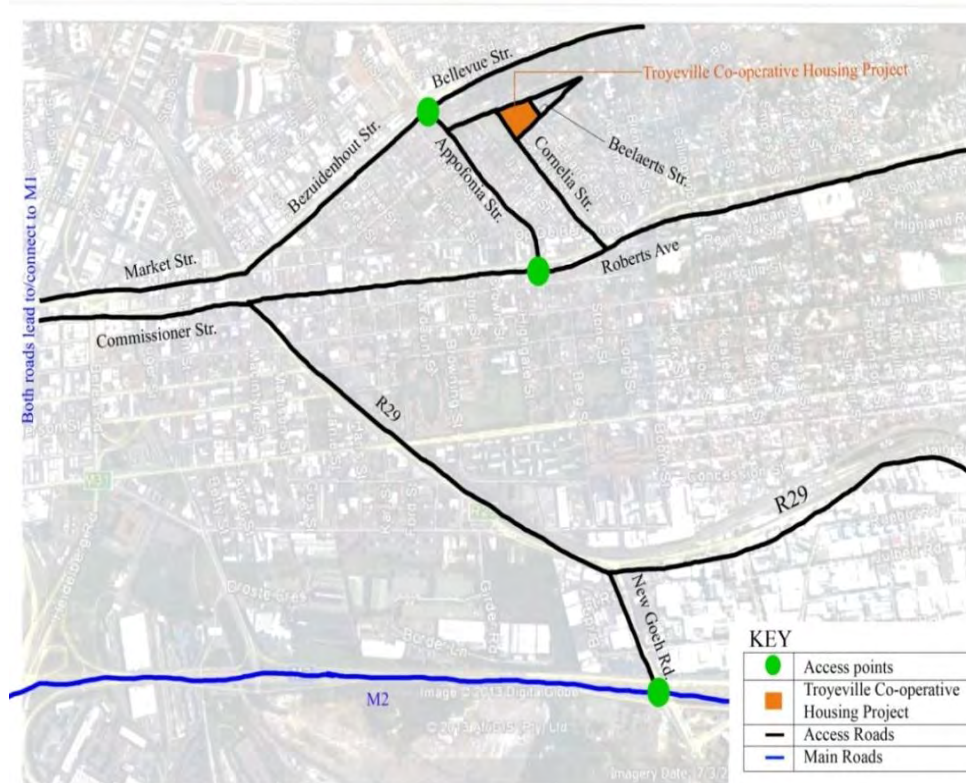
Map 3.1: Location of the Troyeville Co-operative Housing Project in Johannesburg



Source: Google Earth [Date Accessed: 01 June 2012]

Thus the Troyeville Co-operative Housing Project moved away from the concept of developing subsidized housing projects on the outer edges of existing townships far from areas that offer job opportunities, facilities and services. Furthermore the location of the project was informed by the need to address apartheid spatial distortions where households who could not afford to live in the city or certain ethnic groups were placed on the outskirts of the city (Fish, 2003; Ngomba, 2011). The location of the housing project was an important factor in ensuring sustainability and deriving maximum benefit from the neighbourhood for the housing stock and its residents. Furthermore, post-apartheid housing policy envisaged that subsidised, affordable housing projects would be developed in areas where integration of various amenities and land uses could be achieved, so that they would remain sustainable (Department of Housing, 1994).

Map 3.2: Location of Troyeville Co-operative Housing Project with Troyeville



Source: Google Earth [Date Accessed: 01 June 2012]

3.3. Motivation for selecting the Troyeville Co-operative Housing Project

The Troyeville Co-operative Housing Project is considered one of the successfully delivered pilot projects in Johannesburg, despite the fact that it is not a well-known housing delivery instrument. In 2002, the project won the Best Social Housing Project award from the South African Institute of Housing. The delivery of the housing project was efficient from the setting up of the entity to the planning and construction of the housing stock (SHF and SHIFT, 2005). According to COHRE (2005), most housing projects intended for the lower-income earners in the inner city of Johannesburg manage to survive only because of heavy subsidisation and external support. This is also true of this case study as it has been in existence for more than a decade and is still operational, collectively-owned, and managed by the entity. The Troyeville Co-operative Housing Project was one of the pilot projects delivered during the early years of democracy in Johannesburg, and it achieved most of the Housing White Paper of 1994's objectives. These included but were not limited to the successful partnership between the various actors/institutions and the use of the various housing finance instruments discussed in section 4.2. Furthermore this housing project resulted in a permanent structure with secure tenure, privacy through its design and orientation, potable water, adequate sanitary facilities and electricity that is well-located and allows residents to access social amenities and economic opportunities, as well as integrating

different races and income groups (CHFI, 2002). The Troyeville Co-operative Housing Project was purposively selected as the case study for this study mainly due to the above-mentioned reasons. In light of the fact that there is limited knowledge on co-operative housing in South Africa, it was felt that this case study would provide adequate information to draw lessons and principles for delivering and understanding this model.

3.4. Conclusion

The co-operative housing concept was led by the Cope Housing Association in the Johannesburg Municipality to assist families and individuals who could not access housing in the inner city and surrounding areas due to various reasons, including non-affordability. The Johannesburg inner city became overpopulated after the dismantling of apartheid racial segregation. This chapter discussed how some of these issues were addressed through the Troyeville Co-operative Housing Project. This chapter also provided an historical background of the case study, the formation of the Troyeville Housing Co-operative, the location of its housing project and lastly the motivation for selecting the case study.

Chapter 4: Research Findings and Data Analysis

4.0. Introduction

Post-apartheid housing policies recommended co-operative housing as one of a number of effective, affordable housing delivery instruments. The main aim of this study is to examine and understand the extent to which the delivery of the co-operative housing model has been pursued in the Johannesburg Municipality to provide affordable housing for lower-income households earning between R1 500 and R7 500 per month. Previously the target market for the co-operative housing model was households earning between R2 200 – R3500 per month. This chapter presents the research findings and analyses, and interprets the empirical data collected from primary sources of data from the Johannesburg Municipality. The data is analysed in terms of key concepts of the study which assists in answering the research question and subsidiary questions outlined in chapter 1.

This chapter discusses the findings on the extent to which the Johannesburg Municipality has used the co-operative housing model to deliver affordable housing for the lower-income earners within its jurisdiction. The findings on the model used to establish and manage the Troyeville Co-operative Housing Project are also discussed. The lessons learnt from the delivery of this housing project are scrutinized and interpreted throughout this chapter. The lessons learnt from the delivery of other co-operative housing projects in Johannesburg are also analysed and interpreted. The research findings are summarized into these key concepts: the co-operative housing model with an emphasis on the property management phase; the institutional arrangements with emphasis on the role players including the Troyeville Housing Co-operative; and the financial mechanisms used for the delivery of the Troyeville co-operative housing project.

The data are analysed and interpreted with assistance from the theoretical framework and literature review discussed in chapter 2. The co-operative housing model used in Troyeville consists of four critical delivery stages. The financial mechanisms comprise of the financial vehicles and institutions, whilst the institutional arrangements include the key actors and legislative frameworks that supported and strengthened the Troyeville co-operative housing project. The lessons drawn assist in identifying the strengths and weaknesses of such a housing delivery model. Throughout this chapter, the term ‘municipality’ refers to all the authorities, stakeholders and residents at large within the Johannesburg Municipality’s jurisdiction as they are all responsible for the delivery of co-operative housing.

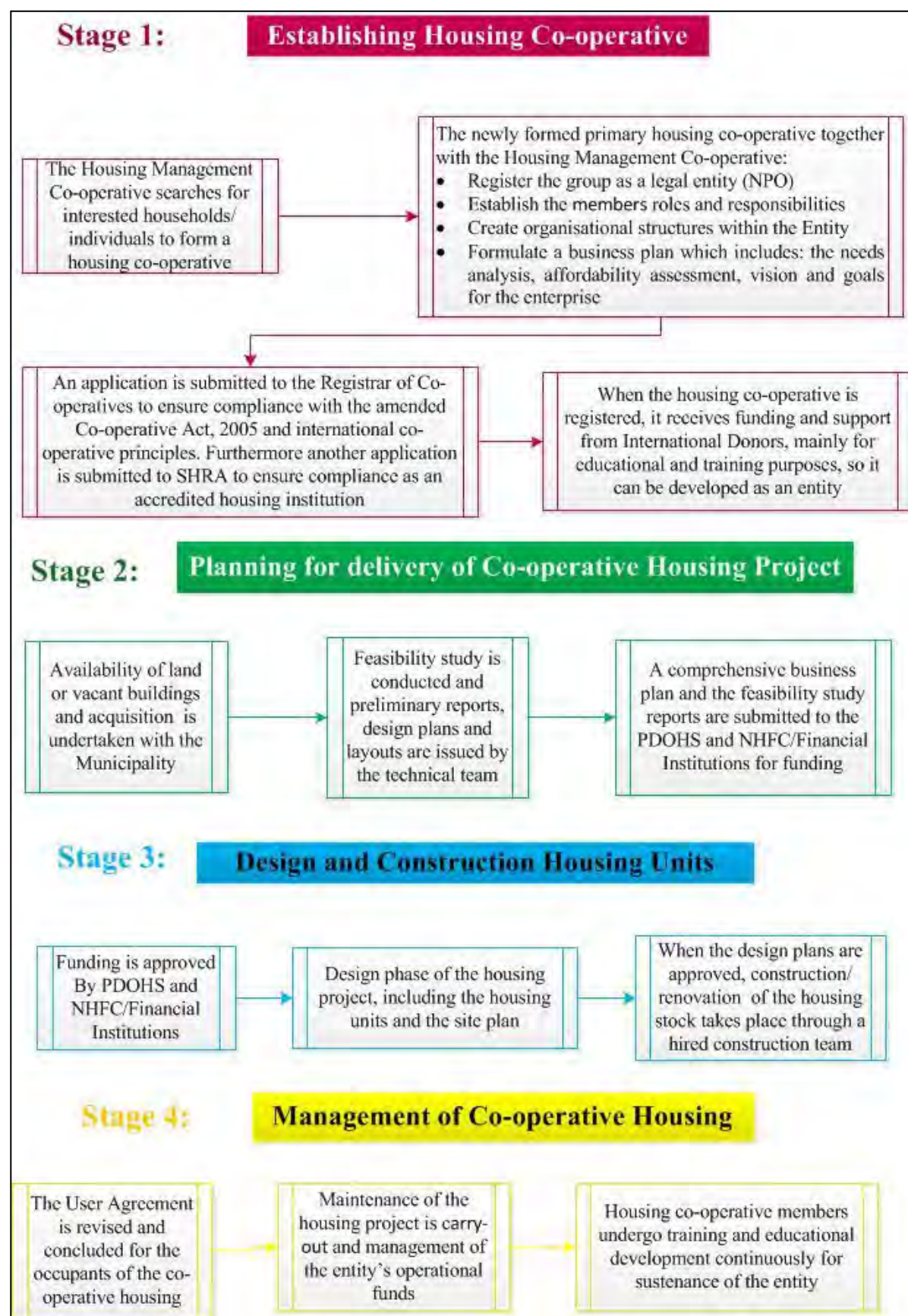
4.1. Troyeville Co-operative Housing Model

The Cope Housing Association – Project Leader/Coordinator for the Troyeville co-operative housing project confirmed that the Norwegian co-operative housing model was used to deliver the project. The implementation stages for the model are outlined in figure 4.1. It illustrates how the different institutions, actors, legislative frameworks and financial mechanisms interlink to ensure that the model is established and flourishes. Figure 4.1 consists of four stages: stage one – establishment of the housing co-operative; stage two – feasibility and planning of the housing project; stage three - design and construction of the housing project; and stage four - management of the housing project and entity. The Troyeville Housing Co-operative members were involved and participated in all four stages. The first stage included setting up and registering groups of people/households who were interested and earned between R2 800 and R3 500 (Phillips, 2003).

Stage two involved the feasibility and planning process. The main aim of this stage is to motivate members and establish whether or not the housing co-operative is ready to proceed with delivering their own housing. If it is feasible to deliver the housing project, stage three is unlocked. Stage 3 involved detailed designs and construction of the housing project. The final stage is the most vital stage of the co-operative housing model as it determines whether or not the model is sustainable and replicable in the future. Furthermore stage four occurs post-construction and after occupancy by the members; it involves property management and maintenance (the housing stock and its yard), financial management (operational fees, levies, additional grants, donations and loan repayments) and continuous education and training for housing co-operative members (CHFI, 2002). The financial model shown in figure 4.2 was used to make the Troyeville co-operative housing project function effectively throughout all the above-mentioned stages.

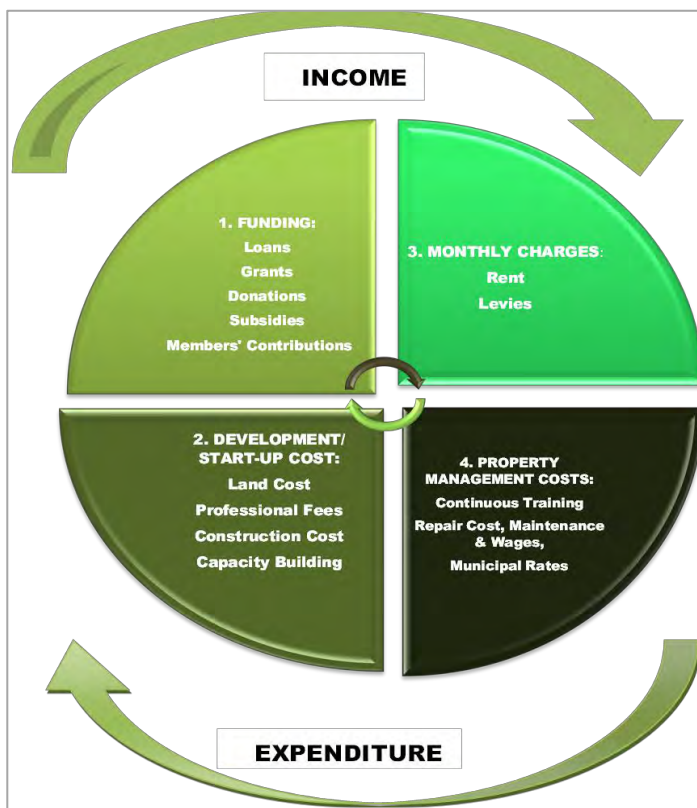
The Troyeville Housing Co-operative with assistance from the Cope Housing Association had to firstly secure funding from the Gauteng Department of Housing, NHFC, Members' contributions, and International Donors such as the Norwegian government, Rooftops Canada, USAID. The secured funding was used to pay for the development costs which included land costs, professional fees, costs for construction and civil works of the building and basic services. In addition, other costs which were incurred during the formation of the Troyeville Housing Co-operative. The expenditure for the on-going maintenance and management required to keep the housing project operational and the entity thriving is also shown in figure 4.2. This expenditure includes any repairing, wages, insurance, loan repayment, municipal rates (water and electricity) amongst others, and it is financed through the monthly rents and levies paid by the residents.

Figure 4.1: Development of the Co-operative Housing Model



Sources: CHFI, 2002

Figure 4.2: Troyeville Co-operative Housing Project – Financial Model



Source: CHFI, 2002

4.1.1. Stage 1 – Establishing the Housing Co-operative

The Cope Housing Association identified families who were interested in becoming members of the Troyeville Housing Co-operative. Various media such as local radio shows, local newspapers and brochures were used to inform people about the project and according to the Cope Housing Association – Project Leader/Coordinator (2012), the response was good. Most of the households/individuals who responded to the call to sign up were already listed on the housing demand waiting list within the Johannesburg Municipality; only households who qualified for housing subsidy could register. The waiting list had previously disadvantaged households who were Coloureds, Indians and predominantly black people (Gauteng Department of Housing, 2009). The Gauteng Department of Housing – Project Manager stated that the reason for this positive response was out of the desperate need for housing as there were very few affordable housing options available to the residents of Johannesburg in the mid-1990s. Most of those who expressed interest did not fully comprehend the co-operative housing concept. Nonetheless, many registered their names out of sheer desperation. This remains one of the weaknesses of the pilot co-operative housing projects in Johannesburg. The target market for the Troyeville Housing Co-operative was households earning a minimum of R2 800 and a maximum of R3 500 per month in

order to ensure that beneficiaries qualified for government subsidies and could afford the monthly operational fees post-construction (SHF and SHIFT, 2005). This criterion was used to scale down the numbers and to identify the 120 households to establish the Troyeville housing co-operative. According to Tomlinson (2001), the institutional housing subsidy was limited to households living in urban areas and earning a monthly income of R3 500 per month and less. This could be one of the weaknesses of the pilot projects because as time progressed, some of the beneficiaries could not afford the fees required to manage and maintain the housing project. Moreover the cross-subsidisation strategy could not be applied then as the current Social Housing Policy of 2005 suggests. Cross-subsidisation involves mixing different income groups within the same building; housing delivered under the social housing programme targets households earning between R1 500 and R7 500 a month, presently.

Furthermore, the Cope Housing Association had to use the housing subsidy beneficiary qualification criteria; the following aspects were taken into consideration:

- *South African citizens.*
- *Joint household income must be less than R3 500 per month.*
- *Applicants had to have dependants or be married at the time of their application.*
- *They should not have accessed the government housing subsidy previously.*
- *Twenty one years of age or older (CHFI, 2002:39; Republic of South Africa, 2003).*

It is also worth noting that the housing subsidy criterion used to select the members for the pilot projects is slightly different from the current housing subsidy criterion. The co-operative housing sector is now established through the principles of the Breaking New Ground of 2004, Co-operative Act of 2005, and Social Housing Policy of 2005. SHF (ndb) and Eglin (2008) note that the lessons learnt from the various pilot co-operative housing projects had some form of influence on the newly established selection criteria. The Norwegian government provided funding through the Cope Housing Association to establish and train the Troyeville Housing Co-operative members on the co-operative housing model. Topics taught included but were not limited to the ICA principles, the functions of housing co-operatives, property management, and the responsible actors and their roles throughout the lifecycle of the development. The Troyeville Housing Co-operative was registered with the Social Housing Foundation (SHF) and was recognised as an entity with sufficient capacity and resources to deliver a medium density housing project. It was also registered with the Registrar of Co-operatives under the Co-operatives Act (Act No. 91 of 1981), so that it could function and be recognised as a primary housing co-operative. With the

assistance of the Cope Housing Association the entity formulated their business plan and operational policy/regulatory documents which included the constitution, code of conduct, and user/occupancy agreements. These documents highlighted the vision of the entity which was aligned with the post-apartheid government's vision for the lower-income housing sector. The business plan and operational policy/regulatory documents were used for funding applications to the Gauteng Department of Housing and the National Housing Finance Corporation. These documents were signed by all the members, and prepared with the assistance of the Social Housing Foundation – technical advisors. In 2000, SHF created a Tool Kit to assist newly formed entities at the time, with one whole chapter (chapter 11) devoted to the co-operative housing model. The constitution stipulated that the members would receive 'no equity' if they left the housing co-operative; thus the members would not receive any money if they left the entity or sold their housing unit.

The reason for this was that the housing project was registered in the entity's name, thus the money is retained by the entity. This particular rule was created to protect the housing co-operative from dissolving, and the beneficiaries making personal profits from the collective work the group had put in to enable the entity to function. After the Cope Housing Association had established and registered the Troyeville Housing Co-operative, the Board of Directors was elected from within the entity in accordance with the ICA Principles. The members of the Troyeville Housing Co-operative bought an equal number of shares that gave them the right to occupy the units and to control and assist with the maintenance of the stock post-construction, under the property management phase. The maintenance of the housing stock includes but is not limited to cleaning common areas, servicing the gates and repairs around the housing project. The members were content with the processes of this stage as they efficient and did not incur any delays.

4.1.2. Stage 2 – Feasibility and Planning for the Co-operative Housing Project

Once the Troyeville Housing Co-operative was registered as an accredited housing institution with the SHF and legal entity with the Registrar of Co-operatives, the second stage focused on the feasibility of the housing project. The land identified was vacant with no infrastructure development. It was surrounded by low rise residential houses. The land was identified by the Cope Housing Association within the former white working class area of Troyeville and Bertrams. This made the land viable because it met one of the objectives for the housing project which was the integration of different race and income groups within this area. The Gauteng

Department of Housing bought the land from its private owner on behalf of the Troyeville Housing Co-operative for approximately R416 000 (SHF and SHIFT, 2005). The Cope Housing Association – Project Leader/Coordinator secured the services of an outside professional team to conduct a feasibility study before the land sale agreement was concluded. This evaluated the suitability of the identified land for building purposes. After all the preliminary reports were submitted by the professional team, the land was found suitable for the development. These preliminary reports confirmed the availability of basic services, social amenities and accessibility to the housing project. The feasibility and planning stages of the project commenced in 1999 and this took less than a year because it was completed towards the end of 2000 (SHF and SHIFT, 2005). According to the Project Manager (2012) from the then Social Housing Office of the Gauteng Department of Housing, the previous land owner, plus the Troyeville Housing Co-operative and the Gauteng Department of Housing signed a Land Sale Agreement that allowed the purchased land to be registered under the entity's name.

This agreement contained a detailed description of the project, the total value of housing subsidies and the loan amount, the number and type of units, the value of the housing project, the process of repaying the long term NHFC loan and the management arrangements for the housing stock as well as any special conditions (CHFI, 2002). Thus the Troyeville Housing Co-operative members acquired their first asset which they owned collectively through shares and they achieved security of tenure, one of the Government's key cornerstones in housing delivery. The Cope Housing Association packaged the planning and design concept approvals, the feasibility reports and agreements to apply for funding from the National Housing Finance Corporation and the Gauteng Department of Housing's Subsidy Administration Section. According to the Cope Housing Association – Project Leader/Coordinator (2012), the second stage was achieved without any difficulty. The land was already zoned as a residential area and it had no environmentally sensitive elements that hindered the construction of the housing project.

4.1.3. Stage 3 – Design and Construction of the Housing Units

Once the Cope Housing Association had received all the technical approvals from the Johannesburg Municipality as well as the final reports from the professional team, the site layout plan and architectural design of the units commenced. The same architect designed both the site layout and the buildings/units. The Gauteng Department of Housing – Project Manager (2012) stated that the architectural plans were designed to achieve sustainability and security and to be aesthetically pleasing as per the vision outlined in the Housing White Paper of 1994 (SHF and

SHIFT, 2005). Furthermore, the housing units were designed to be flexible in order to suit the needs of the various beneficiary families. The housing units had similar plans which included single bathroom unit, a formal lounge, a kitchen, and either one or two bedrooms. The units on the upper floors were designed with balconies whilst the units on the ground floor had covered verandas. The buildings were also designed in such a way that money was saved on building materials (THC-BoD, 2014). The Gauteng Department of Housing requested, as per the Housing White Paper's requirements, that the project include units to accommodate people with disabilities, as well as people from different socio-economic backgrounds and ethnic groups (Department of Housing, 1994). Thus five units on each ground floor were designed and constructed to conform to the minimum design requirements for disabled tenants. Security for the housing project was achieved through the design as it had only one entrance with a small pedestrian gate and main vehicle gate into the development (SHF and SHIFT, 200).

Safety was also achieved by limiting dark corners within the complex; all the units face a central car parking lot and the children's play areas. A "transparent" palisade perimeter fence provides security around the development and simultaneously allows for visual connections with surrounding neighbourhoods (SHF and SHIFT, 2005). The concept for the residential blocks' layout was to achieve an open courtyard which allows residents to supervise their children while they play on the grass/play area. The Troyeville Co-operative Housing Project has four residential blocks with four storeys each and 40 parking bays (SHF and SHIFT, 2005). The entire project has 14 one-bedroom units, 106 two-bedroom units' ranging between 32 m² and 77 m² respectively. The one bedroom units were restricted to 11% of the total number of units because most beneficiaries have an average of 5.5 members in a house (SHF and SHIFT, 2005).

The members were well pleased and satisfied with the final product of their housing units, given that all their input with regards to the designs of the units were taken into consideration. The density of the project is slightly higher than the surrounding areas; nevertheless it did not have a negative impact on the facilities or road usage. The building materials selected for the development are cost-effective, durable, and require minimal long-term maintenance. According to the Troyeville Housing Co-operative board of directors (2014), the housing project is still in good conditions in terms of its appearance within the units, inside and outside of the housing project. Keivani and Werna (2001a), notes that housing units built by housing co-operatives are formal and conform to official regulations and procedures. Thus the architect and building contractor ensured that the building materials used for the housing stock were adequate and of

high quality. Moreover the procedures undertaken were formal and conformed to the building standards set out in the Human Settlements – Red Book and Housing Code of 2000. The cost of the development was calculated by the Project Leader, Project Manager and the Quantity Surveyor with guidance from the relevant legislation at the time – the National Housing Subsidy Programme. The total cost of the development amounted to approximately R10 960 000; this included buying the land, the professional teams’ fees, construction costs amongst other costs. The cost was covered by the various funding mechanisms discussed in section 4.2 and these included the institutional housing subsidies, the entity’s contributions, international donations and grants, and the NHFC Long-term Loan (refer to table 4.2).

The total project funding was calculated to be equivalent to the cost of development cost. The construction phase was completed in 12 months, in September 2001 and shortly afterwards the residents moved into their housing units (SHF and SHIFT, 2005). The construction phase included the installation of basic services including water, electricity, sewerage, and roads, as well as the physical construction of the units as per the approved, detailed plans. The plans were in accordance with the design standards of the Human Settlements – Red Book that provides guidelines for engineering services, and the design of houses and communal areas. According to the Cope Housing Association – Project Leader/Coordinator, the entire development was approved by the National Homebuilders Registration Council (NHBRC), inspectors from the Gauteng Department of Housing, and engineers from the Johannesburg Municipality. The approval was based on the compliance of the design and construction of the housing project to the set building norms and standards as per the abovementioned design guidelines.

4.1.4. Stage 4 – Management of the Troyeville Co-operative Housing Model

The fourth stage was divided into three segments: the management of the property (the housing stock and its surroundings); the management of the housing co-operative (the entity); and the management of the finances (see table 4.1). The fourth stage involved the sustainability of the housing stock and the entity, and the application of the ICA principles. According to the Troyeville Housing Co-operative Board of Directors (2014), the members of the Troyeville Housing Co-operative collectively own the housing project, and currently manage and govern it through them. Post-construction, the Cope Housing Association agreed to act as the property management agent. The Association collected monthly rentals/levies, had oversight of the on-going maintenance of the housing project and provided financial management.

Table 4.1: TCHP – Property Management Phases

1. Managing the Property	On-going Maintenance
	Emergency Repairs
	Maintain Common and Green Areas
2. Managing the Co-operative	Frequent workshops for the entity
	Train BoD in responsibilities
	Collect monthly payments from each member
	Resolve complaints and conflicts between members
3. Managing the Finances	Prepare financial reports
	Financial Management
	Insurance costs
	Prepare/monitor management budget
	Expense payments
	Loan repayments

Source: CHFI, 2002; SHF and SHIFT, 2005

The Project Leader/Coordinator for the housing project confirmed that the Cope Housing Association was well-informed on the co-operative housing model and its functions. The Norwegian government funded the fourth stage for two years to kick-start the property management process after the beneficiaries moved in. This funding was mainly used to subsidize rentals, since in Norway the government provides grants to lower-income beneficiaries of co-operative housing projects in order to render them affordable (SHF, ndb). Thus the Housing White Paper's objective of making co-operative housing in the inner city an affordable alternative tenure option was achieved.

The initial monthly rents and levies were calculated to range between R770 per month for one bedroom units and R880 per month for two bedroom units with an annual increase of 6% to 10% for the monthly rents (CHFI, 2002; Philips, 2003). Currently the rentals have increased to R2500 for one-bedroom and R3300 for two-bedroom units and this is affordable for some tenants who have advanced themselves in terms of education, promotions and better occupations, since the conception stages. However, it has been hard for some tenants especially those who are unemployed and disabled, because they have been defaulting with their monthly rentals given that they do not have a monthly source of income presently (THC – BoD, 2014). In other cases, some residents are experiencing difficulties with affording because of their needs and responsibilities have increased or their families have become bigger. While the households of the Troyeville

housing co-operative are united by a single vision, they have different backgrounds and needs. Increased rents could be one of the challenges that have resulted in most co-operative housing projects failing in the Johannesburg Municipality. One of the weaknesses of co-operative housing is, if one the households default in payments of the increased rent; it could negatively impact the entity and the sustainability of the housing project. Payment of monthly rents are compulsory as they cover basic expenses which include the repayment of the long term loan repayment to the NHFC, insurance, maintenance and utilities, management and administration fees amongst other things. Furthermore the residents had/have a right of occupation on condition that they pay their monthly rent and levies and respect the Code of Conduct and User Agreements. However this user agreement never stipulated what should be done if some members default in payments. Moreover this has created friction amongst the residences because they could consequently lose their housing project like the other housing co-operatives.

Currently, the Troyeville Housing Co-operative Board of Directors are seeking assistance from the Gauteng Department of Local Government and Housing to intervene and guide the entity on addressing such issues. While there can be no doubt that the financial assistance from the Norwegian government helped the beneficiaries, the downside of such initiatives is it they can create dependency and cause beneficiaries to demand the same from the South African government. Norway's economy is far more advanced and developed, than South Africa, which is a developing country. The above-mentioned issues cannot be dealt in the same way as the Norwegian government. The Norwegian government offers grants which assist in paying for defaulting members (Eek and Halvorsen, 2012). This strategy is implemented in a developed country and thus cannot be duplicated in South Africa because the economy is not the same.

During the interview with the Gauteng Department of Housing – Project Manager, the researcher learned that most pilot co-operative housing projects in Johannesburg were liquidated after they were prematurely handed over by the Cope Housing Association to their respective Board of Directors. The Boards were trained to oversee and manage the housing projects as property management agents. However amongst other challenges, some of the housing projects failed because the Board of Directors were given responsibility too early resulting in these directors conducting selfish, greedy and self-driven ambitions (DOHS, 2013). Conflicts of interest arose amongst the residents and they failed to work collectively as housing co-operatives. Moreover, most members of the liquidated housing projects simply failed to understand the concept of co-operative housing. This is understandable as most of the people who were classified as qualifying

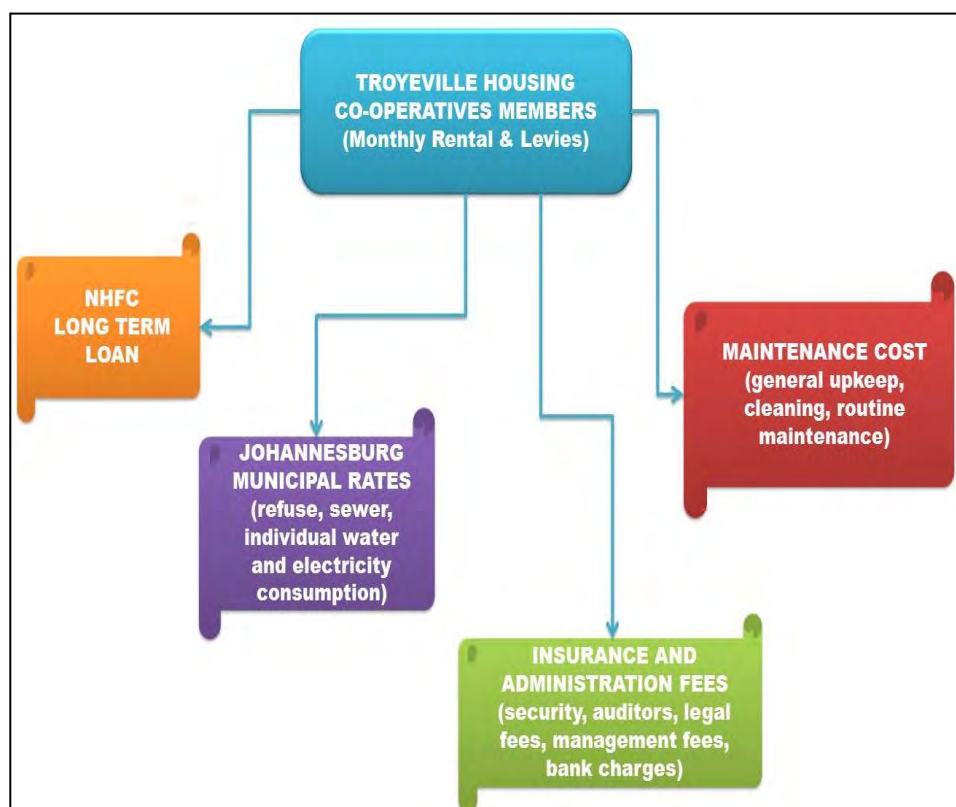
per the subsidy criteria signed up out of desperation, not necessarily because they were interested in being members of housing co-operatives. Although the interested households were educated about co-operative housing during the first stage, their real motive was simply to secure a home. Furthermore, the Cope Housing Association's mandate was to implement the co-operative and social housing models in the inner city; their focus was therefore on educating households about such housing. Those who signed up were therefore not well-informed about other housing delivery instruments that were available and resorted to applying for any initiative that would provide affordable housing and tenure security. The solution to such problems is housing consumer education programmes for targeted households so that everyone is aware of the variety of housing tenure options made available by the Department of Human Settlements. This will empower beneficiaries to meaningfully participate in housing delivery instruments that they are familiar with. Refer to section 5.2 for the researcher's recommendations on this issue.

Housing consumer education will inform lower-income households about the government's role in housing provision and enable them to understand their role and responsibilities in partnering with the government to meet their housing needs so that more sustainable housing delivery systems can be achieved (National Housing Indaba, 2005). The Gauteng Department of Housing – Project Manager (2012) confirmed that the first three stages of the Troyeville Co-operative Housing Project were successful, but the fourth stage was confronted by a number of challenges which commenced after the Board of Directors voted to dispense with the services of the Cope Housing Association in 2005. Although the project is still operational, the past few years have not been easy because the Board of Directors prematurely took control as the property management agent, making them fully responsible for the management of the entity and housing project.

The entity has subcontracted and fired four other property management agents, since they fired the Cope Housing Association. While the entity obviously has the power and ability to do as they please with their housing project, they lacked understanding and could have benefitted from experienced property management agents. Thus continuous workshops to train housing co-operatives are essential. After the services of the Cope Housing Association were dispensed with, the entity received no further workshops and operations were and still conducted on a trial and error basis. While this project is surviving, it is not successful, given that it is not operating as initially planned. The Troyeville Housing Co-operative has not dissolved or liquidated because of its obligation to fully repay the NHFC loan as per the agreement between the two parties. The Cope Housing Association – Project Leader/Coordinator (2012), confirmed that the long-term

loan agreement stated clearly that the NHFC could repossess and sell the housing project at a market-oriented price if the entity failed to repay the loan. Thus the Troyeville Housing Co-operative members have been faithfully paying their monthly rentals which increased annually by a small percentage (limited between 6% to 10% annually). Most of the housing co-operatives in Johannesburg failed to understand this mandatory condition in the agreement with the NHFC (Naidu, 2010). The Deputy Director under the City of Johannesburg Housing Department (2012) stated that once the housing projects were sold in the housing market, beneficiaries that could not afford the more expensive rentals thus were evicted so residents who could afford to pay the increased rentals would move in; the financial institution could thus recover the loan payment. Furthermore, if a person leaves the housing co-operative they left with nothing as the housing units they lived in belonged to the entity; but they can still apply for another type of subsidy they qualify for. This can be viewed as a loop hole in the housing policy.

Figure 4.3: Troyeville Co-operative Housing Project – Cash Flow Diagram



Source: CHFI, 2002; SHF and SHIFT, 2005

The Troyeville Housing Co-operative Board of Directors is responsible for the management and maintenance of the housing project and entity. The Board has managed to play a good role in ensuring that the housing project remains operational and the entity is not liquidated. The entity has maintained financial management (see figure 4.3 for the cash flow of the Troyeville Co-

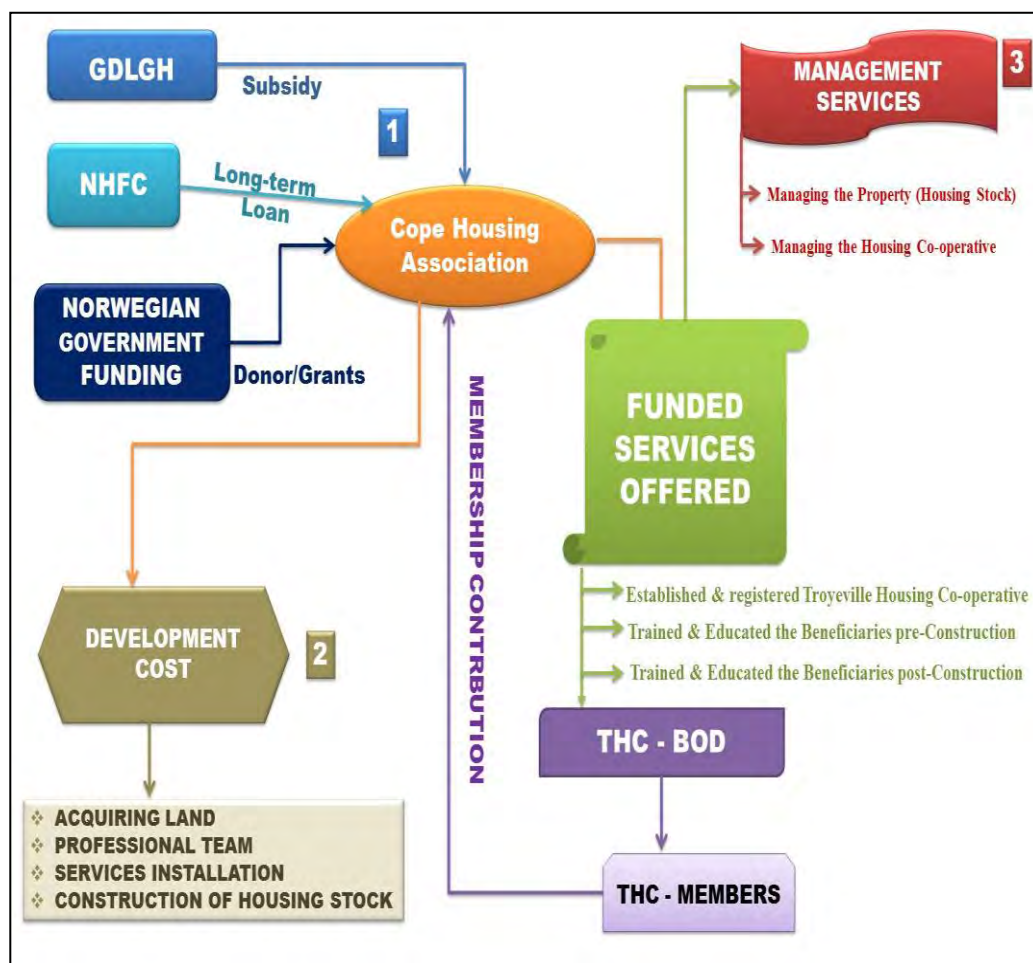
operative Housing Project). One of the strengths of this housing co-operative is that some of the tenants are given work in cleaning, security, plumbing, electrical and other maintenance functions, according to their skills levels and are paid for this work (SHF and SHIFT, 2005). Thus, the members benefit from work opportunities in the property management phase. Another reason the Troyeville co-operative housing project is still operating is that the members value their rights and responsibilities as an entity, the mission of the organisation, security of tenure and the housing project as a valuable asset. The entity has been successful thus far in connecting individual goals and building themselves as a community, bringing together a wide range of personal skills and abilities for the good of the entity and the housing project. The initiative has created a sense of unity, inclusivity, equality and community, thus complying with the ICA Principles.

4.2. TCHP – Institutional Arrangements & Financial Mechanisms in place

The Conventional Approach acknowledges housing co-operatives as one of the key actors that has the capacity to assist the government to address lower-income housing challenges, through the delivery of collectively owned formal housing. Furthermore, the extent of their success in housing delivery is dependent on support from either the public sector or the private sector or the entities established (Okpala, 1992). In addition to ‘third’ sector organisations and international donors, the Troyeville Housing Co-operative received much support from both the private and public sectors in South Africa. The successful delivery of the Troyeville Co-operative Housing Project was a product of the funding mechanisms and institutional arrangements in place. The institutional arrangements used for the delivery of the project included the various tiers of government and its policies.

In addition to the Cope Housing Association – a Third Sector Organisation – and the professional team, private sector enterprises became involved. Thus public-private partnerships and international support in the form of capacity building, funds and technical assistance played an integral role. The financial mechanisms used for the Troyeville Co-operative Housing Project included international and local grants, institutional housing subsidies, donations, a long-term development loan, and the Troyeville Housing Co-operative’s savings. These mechanisms were received from various financial institutions, organisations and governments. Figure 4.4 illustrates how the financial mechanisms and institutional arrangements were intertwined throughout the implementation of the Troyeville co-operative housing model which consisted of the four above-mentioned development stages.

Figure 4.4: TCHP – Financial Mechanisms and Institutional Arrangements



Source: CHFI, 2002; SHF and SHIFT, 2005

Furthermore it illustrates the financial mechanisms and institutional arrangements that were used to successfully deliver the housing project; on the other hand the role of the Cope Housing Association for the property management phase has been replaced by the Troyeville Housing Co-operative Board of Directors. For an in-depth explanation and understanding of the current institutional arrangements and financial mechanisms in place for co-operative housing delivery in general, refer to table 2.3. The delivery of the Troyeville Co-operative housing project was achieved through public-private partnerships to address the shortage of housing that confronted many socially and economically marginalised families within the Johannesburg Municipality (Mashatile, 2001). Table 4.2 below outlines the funding mechanisms and the total amounts contributed for the establishment of the Troyeville housing co-operative and the delivery of its housing project. The following section discusses the role-players and their responsibilities in the delivery of the Troyeville co-operative housing project as well as the financial mechanisms these institutions provided.

Table 4.2: Troyeville Co-operative Housing Project – Funding Mechanisms

FUNDING MECHANISM	AMOUNT
Institutional Housing Subsidies	± R 2 200 000
International Grants/Donations	± R 1 600 000
Professional Team Equity Contributions	± R 1 500 000
NHFC Long Term Loan	± R 5 300 000
Troyeville Housing Co-operative Members Contributions	± R 350 000
Other	± R 10 000
Total Building Cost	R10 960 000

Source: SHF and SHIFT, 2005

4.2.1. Role-players in the Troyeville Co-operative Housing Project

4.2.1.1. Role played by National Department of Housing

The former National Department of Housing, currently known as the National Department of Human Settlements, played a critical role by creating housing policies and legislation which acknowledged the rights laid down in South Africa's Constitution and people's needs. Its role in the delivery of co-operative housing projects, including the one Troyeville, was supporting and strengthening such projects through its housing policy and legislation. These included the Housing White Paper of 1994, the National Housing Subsidy Programme (1995), the Housing Act of 1997 and the Housing Code of 2000. The National Department of Housing mobilised funding from developed countries that had successful international co-operative housing precedents. Then through this initiative the Norwegian Government became the main international funder in the country and in turn its co-operative housing model was adopted. The Department of Housing worked closely with the Norwegian Government to establish the South African co-operative housing sector (Eglin, 2007a).

In the case of the Troyeville Co-operative Housing Project, funding was made available to the Cope Housing Association as it was the organisation responsible for the delivery of co-operative housing projects. According to the Project Leader/Coordinator (2012), guidance and support in the form of funding and technical experience was shared with the Provincial government officials that worked with the co-operative housing model across the country. This support from the Norwegian government played a significant role in the successful delivery of some pilot co-operative housing projects including Troyeville as it encouraged the South African government to broaden the proposed housing delivery instruments. Furthermore, an additional tenure option was made available to households that required affordable and adequate housing in the inner city; this

enabled the Johannesburg Municipality to address some of its housing challenges. The current National Department of Human Settlements has released additional post-apartheid housing policies and promulgated legislative frameworks, to cater for various income groups who need government intervention, since they cannot participate in the housing market. Whilst other legislations i.e. Co-operative Act of 2005, has been revised. The researcher found that although co-operative housing is proposed and its delivery is supported and strengthened by the housing policies in place, implementation of these policies focuses on the delivery of social housing (pure rental) and there is very little reference to co-operative housing (DHS, 2010). A solution would be the creation of a housing legislation that focuses on and outlines the delivery of co-operative housing as a strategy to provide affordable housing. In addition, a regulatory body that is responsible for the implementation of this legislation in partnership with the local municipalities. The co-operative housing model that was used to deliver the pilot project was a replica of the Norwegian model; this could also be one of the weaknesses of such housing being implemented in South Africa. Thus in addition to the co-operative housing legislation, a model that works for the South African context and communities, must be created in accordance to the needs of the targeted income group.

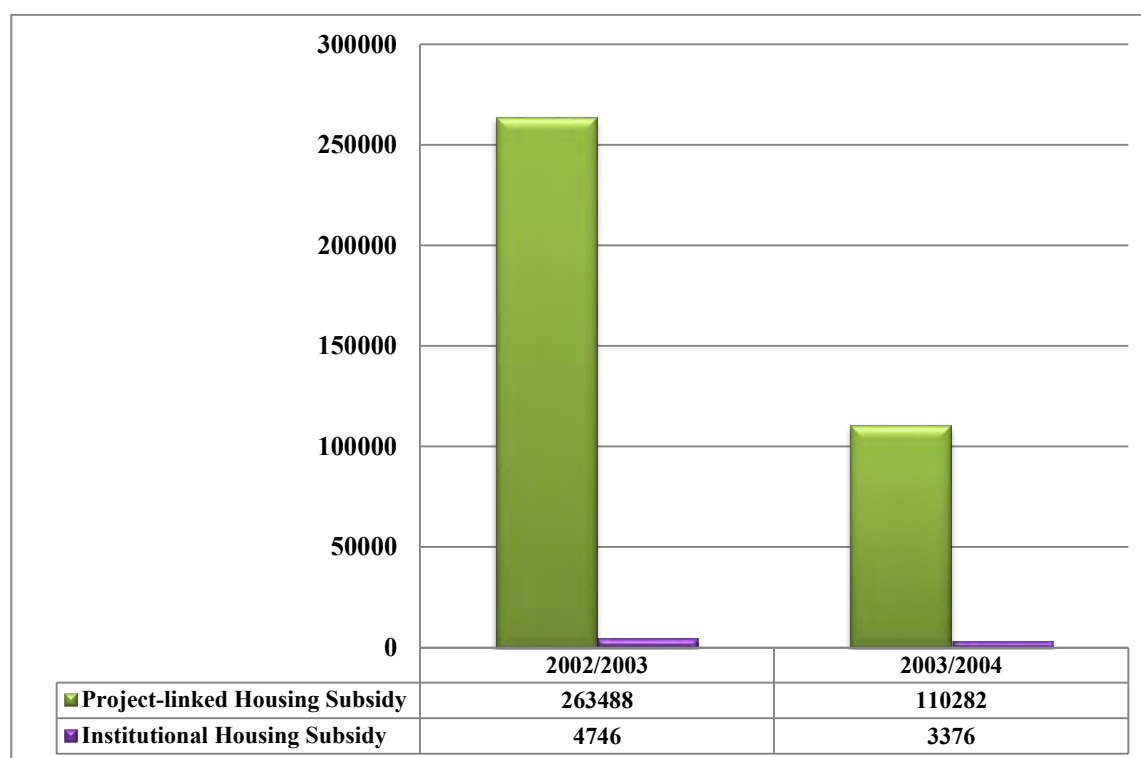
4.2.1.2. Role played by Gauteng Department of Housing

The Gauteng Department of Housing, currently known as the Gauteng Department of Local Government and Housing was mainly responsible for the administration of lower-income housing delivery within the Gauteng province amongst other responsibilities. The segment responsible for the delivery of co-operative housing was previously known as the Social Housing Office, but is currently known as the Alternative Tenure Department. The Social Housing Office adopted a hands-on approach in the Troyeville Co-operative Housing Project, as it was the main funder through the institutional housing subsidies (see table 4.2 that shows the total amount it provided). The Social Housing Office also created an enabling environment for housing co-operatives by providing these subsidies for those entities that were registered as housing co-operatives.

The Housing Act of 1997 states that, the “Provincial government is mandated to create an enabling environment by doing everything in its power to promote and facilitate the provision of adequate housing in its province within the framework of national housing policy” (Tissington, 2010:36). The Social Housing Office became involved in the delivery of co-operative housing due to the fact that most Gauteng residents could not afford to own homes. Thus the pilot co-operative housing projects were prioritised, supported and facilitated in the mid-1990s by the Gauteng

Department of Housing. However, in 2002, the Social Housing Office changed its strategic focus; the priority was now to deliver as many houses as possible. This was prompted by the escalating housing backlog within the province and the pressure exerted on the Office by political leaders. According to Parnell and Robinson (2006 cited in Ngomba, 2011), the African National Congress (ANC) exercised major influence on local and provincial government, especially in relation to the Johannesburg Municipality's housing crisis, the management and upgrading of the inner city. While there were various reasons for the Municipality's decision not to vigorously pursue co-operative housing, the primary motivations were that this model could not deliver large quantities of houses, it was experiencing a lot of challenges with the property management phase and it was time consuming. Furthermore, the Social Housing Office favoured the delivery of individually owned housing projects because the proved cheaper to deliver and required minimum time to complete, when compared to the co-operative housing approach. More houses could be delivered in less time because the focus was purely on delivering housing units.

Figure 4.5: Approved Subsidies in Gauteng – 2002/2003 to 2004/2005 Financial Years



Source: <<http://HSSWEB/ReportServer/GP/ABC Statistics/Subsidies Approved>> [Date Accessed: 30 September 2013]

Figure 4.5 shows the total number of subsidies approved by the Social Housing Office within two years of the co-operative housing model being put on the back burner. The individually owned housing approach makes use of the project – linked subsidies. Also these

housing projects were built in the urban peripheral areas, as land was less expensive. The co-operative housing sector was still in its infancy and very dependent on the provincial government's support; thus the strategic shift in the Social Housing Office severely impacted the delivery process. With little attention and support from the department, responsibility fell on the Cope Housing Association to ensure the success of the co-operative housing sector. Furthermore, the slow pace in delivering such housing resulted in many international donors such as the Norwegian government, whose support was crucial to the success of the model, withdrawing their support (Methi, 2005). This negatively impacted the delivery of co-operative housing in Johannesburg. As shown in figure 1.2, the Gauteng Department of Local Government and Housing under the Alternative Tenure Department still allocates institutional housing subsidies within the province, but mainly for pure rental social housing programmes.

4.2.1.3. Role played by Johannesburg Municipality – Housing Department

The City of Johannesburg Housing Department was not directly involved in the delivery of the Troyeville co-operative housing project. The Deputy Director under the City of Johannesburg Housing Department (2012) stated that his department was not involved in the delivery of pilot co-operative housing projects, as it had invested resources in organisations such as the Cope Housing Association and the Social Housing Foundation, to name but a few, to deliver such housing. Nonetheless, the department assisted with the installation of basic services and connections to bulk infrastructure. Furthermore the department's focus was and still is on delivering project-linked subsidized housing projects within its jurisdiction. The department's priority is individually-owned houses as this will enable the delivery of large quantities of units and thus address the housing backlog.

Alternative tenure options under the social housing programme are currently the responsibility of the state-owned Johannesburg Social Housing Company (JOSHCO). The Programme Manager at JOSCHO, who was previously employed as the Cope Housing Association Project Leader/Coordinator, explained that the organisation has delivered purely rental social housing projects since it was established in 2005, and has not delivered any co-operative housing models. In September 2010, the UN-Habitat awarded JOSHCO a Scroll of Honour for Human Settlements Development in recognition of the company's provision of "tens of thousands of affordable housing units which have improved the living conditions, and basic services for the urban poor families" (Ngomba, 2013). Thus, the Johannesburg Municipality was also affected by the shift in the housing delivery strategy that was adopted by the Gauteng Social Housing Office in 2002.

4.2.1.4. Role played by Housing Development Supporting Institutions:

Various organisations and institutions have been established to address the delivery of low-cost and affordable housing projects; thus includes the delivery of co-operative housing as an alternative tenure option under the social housing programme. Most of these are joint ventures and partnerships between the government, the private sector and the third sector organisations. The following organisations and institutions listed below provided funding, technical advice/services, capacity building and regulatory/legislative frameworks for the delivery of co-operative housing in Troyeville.

4.2.1.4.1. Role played by Social Housing Foundation

The Social Housing Foundation (SHF) was highly involved in the delivery of Troyeville Co-operative Housing Project and it worked closely with the COPE Housing Association. It promoted the co-operative housing model and provided building capacity and technical assistance to all the actors involved, especially the members of the Troyeville Housing Co-operative. The Troyeville Housing Co-operative was registered under the SHF as an accredited housing institution. Accredited housing institutions are legal entities with the primary objective of developing and managing housing stock funded by government subsidies (Department of Housing, 2005). The SHF also conducted research to ensure that the model was sustainable, resulting in the production of the Social Housing Toolkit in 2000, guidelines for the development of co-operative and social housing projects. However, the SHF was liquidated in 2010 and replaced by the Social Housing Regulatory Authority (SHRA). See table 2.3 for a detailed explanation of the roles and responsibilities by SHRA.

4.2.1.4.2. Role played by National Housing Finance Corporation

The National Housing Finance Corporation (NHFC) assisted in the delivery of Troyeville co-operative housing project through the provision of a long-term development loan with low interest rates (see table 2.3 for the roles and responsibilities of NHFC in the social and co-operative housing sector). The NHFC loan was chosen by the Cope Housing Association and it was used for mainly the development costs under stages 2 – feasibility and planning of the housing project and stage 3 – design and construction of the housing project (Office of the Housing MEC, 2001). According to SHF and SHIFT (2005) approximately R 5.3 million (see table 4.2) was received as a loan from the institution which had to be repaid within a period of 20 years at a fixed interest rate.

4.2.1.4.3. Role played by National Home-Builders Registration Council

The National Homebuilders Registration Council (NHBRC) played an important role under the third stage – design and construction. Its main role was to inspect and monitor the construction of the Troyeville co-operative housing stock to ensure that the contractors complied with the set standards for housing projects under the Human Settlements – Red Book and Housing Code of 2000. Furthermore, the Gauteng Department of Housing – Project Manager explained that the construction was completed successfully within the planned period of time with minor delays.

4.2.1.5. Role played by Professional/Technical Team

The professional/technical team provided technical advice and expertise. They shared their knowledge and experience in construction and project management skills. The professional/technical team contracted by the Cope Housing Association was mainly comprised of companies owned by emerging black entrepreneurs. Table 4.3 lists the professional/technical team used for the delivery of the Troyeville Co-operative Housing Project. The team was mainly involved in stages two and three of the project. They contributed close to R1.5 million towards the housing project through the professional team contribution set at 15% per professional involved; refer to table 4.2.

Table 4.3: Troyeville Co-operative Housing Project - Professional/Technical Team

COMPANY NAME	DESIGNATION
COPE Housing Association	Project Leader/Coordinator
Dhlamini Quantity Surveyors Inc.	Project Managers
	Quantity Surveyors
Chris Shabangu Architects cc	Architects/planner
Kanye Kanye Consulting Engineers	Structural & Civil Engineers
Izazi Consulting Engineers & Afro Electrical	Electrical Engineers
Stocks/Nehanda Joint Venture	Building Contractor

Source: SHF and SHIFT, 2005

4.2.1.6. Role played by International Agencies/Donors

International donors involved in the formation of the Troyeville housing co-operative included the Norwegian Government, the United States Agency for International Development (USAID), European Union, Rooftops Canada, Co-operative Housing Foundation International, and the Norwegian Federation of Housing Co-operative Associations. These international agencies/donors provided funds and technical services through the Cope Housing Association, for mainly the first

stage which involved the establishment of the Troyeville Housing Co-operative and the fourth stage – kick starting the property management phase. The donations received amounted to approximately R 1.6 million for the Troyeville Housing Co-operative, refer to table 4.2 (SHF and SHIFT, 2005). The funds from international donors assisted a great deal with empowering the members of the entity to be acquainted with the model. Most of the pilot co-operative housing projects in Johannesburg relied heavily on international donors for setting up (Rust, 2001; Methi, 2005).

4.2.1.7. Role played by COPE Housing Association

The Cope Housing Association was the main actor in the delivery of Troyeville Co-operative Housing Project; it took on the role and responsibility of being the developer on behalf of the Troyeville Housing Co-operative. According to the Project Leader/Coordinator (2012), the Association was a registered NPO but acted as the secondary housing co-operative (Mother) and the first property management agent the Troyeville Housing Co-operative hired for the fourth stage – property management phase. Cope Housing Association offered two types of services to the entity; development services and management services in both stages one and four of the co-operative housing model. The management services included but not limited to the operation of the entity, maintenance of the housing project, excluding the interiors of units, security services and financial management – ensuring that suppliers were paid and collecting monthly rents and levies (refer to table 4.1). The Cope Housing Association also convened annual general meetings where the Board of Directors discussed and submitted annual financial statements.

The development services included training the beneficiaries on their roles and responsibilities pre- and post-construction, as well as educating members on the co-operative housing model and their role in ensuring its delivery. Refer to table 2.3 for an in-depth explanation of the roles and responsibilities of secondary housing co-operatives (housing management company) in order to fully understand the value of the assistance that was provided by the Cope Housing Association to the Troyeville housing co-operative. However, in 2005 the Cope Housing Association was liquidated. The organisation could no longer function due to the withdrawal of international funding. According to Methi (2005) the withdrawal of international funding was a consequence of financial mismanagement by the Association and the government's lack of interest in delivering the co-operative model around the mid-2000s. Furthermore, the Association experienced numerous problems with the pilot co-operative housing projects, including Troyeville as the beneficiaries withheld payments used for the management and maintenance of the housing

projects. These entities thought the role played by the Cope Housing Association in their housing projects was unnecessary and that dismissing the Association would decrease the property management costs stated the Project Leader/Coordinator. Since then, there has been no secondary housing co-operative in Johannesburg. This has weakened the co-operative housing sector as it has no principal actor pursuing its delivery and no agency to promote the delivery of the model at community level. The Troyeville Housing Co-operative was one of the entities that dismissed Cope Housing Association, thus the agreement it had with the entity was over before the Association was liquidated in 2005.

4.2.1.8. Role played by Troyeville Housing Co-operative

4.2.1.8.1. Board of Directors

The Troyeville Housing Co-operative Board of Directors consists of five elected committee members who are part of the entity. According to the Cope Housing Association – Project Leader/Coordinator (2012), it is responsible for the operation and management of the entity and represents it. After four unsuccessful contracts with different property management agents, the Directors assumed responsibility. Their tasks include the collection of monthly operational fees, analysing and interpreting the financial statements, fundraising, on-going maintenance of the project, enforcing the rules laid down by the members, decision-making, and dealing with the major issues which surface and affect the housing co-operative and the project.

Furthermore, the board of directors had to follow up and assist members who could not pay their monthly rentals, but provided they had valid reasons. The Directors were selected based on their good character, skills, knowledge and experience. They are remunerated for their property management services. While the Troyeville Housing Co-operative Board of Directors fired the Cope Housing Association prematurely, they had exposure to property management tasks through the Association and the other agents that they dismissed. The fact that the Troyeville Co-operative Housing Project is still operational confirms that they are fulfilling the roles and responsibilities expected of them by other members to ensure that the housing stock is well managed and maintained. Thus the transfer of skills as one of the main objectives of the Housing White Paper was achieved.

4.2.1.8.2. Troyeville Housing Co-operative Members

The Troyeville Housing Co-operative members are the beneficiaries of the housing project. They are expected to abide by and respect all the policy and regulatory documents that govern the entity

and the housing stock. They are responsible for ensuring the sustainability of their housing project by paying monthly levies and rentals so that maintenance and management services can take place. During the first stage of the co-operative housing model, they were responsible for the entity's contribution to the housing project (refer to table 4.2 for the amount they paid as an entity). The Troyeville housing co-operative members had a savings club that was initiated by the Cope Housing Association to assist the members with these contributions. Other initiatives spearheaded by the Cope Housing Association, including fundraising and mobilising international donations for the first stage of the Troyeville Co-operative Housing model, significantly increased the financial contributions made by the entity.

4.3. Conclusion

The Troyeville co-operative housing project is one of the active pilot projects that were delivered through the assistance of Cope Housing Association. The housing project won an award from the South African Institute of Housing, as one of the best social housing projects. The award recognised the manner in which it fostered a sense of community amongst residents and other factors which achieve sustainability were taken into consideration. Thus this chapter presented and interpreted the empirical data collected from primary sources of data from the Johannesburg Municipality. Furthermore the research findings were analysed using the key concepts of the study, namely; the co-operative housing model (4 stages), property management phase, housing co-operative, actors and institutions as well as the finance mechanisms that make the delivery of such housing achievable.

Chapter 5: Summary of Findings, Conclusions and Recommendations

5.1. Summary of Findings

The Troyeville co-operative housing project is one of the operational pilot projects in Johannesburg, since its delivery in the late 1990s. The project was a product of various partnerships between the national and provincial (Gauteng) government (Housing Departments), the private sector (including the professional team), third sector organisations (the Cope Housing Association), and international donors. These partnerships gave rise to funding mechanisms, technical assistance, legislation, guidance and knowledge for the Troyeville Housing Co-operative and its housing project. The Norwegian government was the main international funder in the establishment of the co-operative, and in the property management phase. The delivery of this project was rated successful by the South African Institute of Housing, and it won an award for being one of the best social housing projects.

The Gauteng Department of Housing created an enabling environment through the provision of institutional housing subsidies, and regulatory frameworks which guided the formation of the Troyeville entity and the construction of its housing project. The Troyeville co-operative housing project was developed on land zoned as residential. Although the land was vacant, there were bulk connections in close proximity. This Greenfield development accommodated 120 households, and made a significant contribution to urban renewal (development on vacant land for investment purposes), and densification (medium-density capacity) programmes within the Johannesburg Municipality. Furthermore the project is well-located and strategically placed close to the Johannesburg CBD, and thus in close proximity to job opportunities, social amenities, and educational and health facilities, amongst others.

The housing project is based on the Norwegian co-operative housing model, but was implemented in the South African context. It used the Mother/Daughter approach, with the Cope Housing Association representing the Mother and the Troyeville Housing Co-operative the Daughter. This model has four stages which included the establishment of the co-operative, and the delivery of its housing project. Stage one that involved establishing, training and educating the beneficiaries who made up the Troyeville entity, was mainly funded by the Norwegian government, thus making the establishment process possible, while stages 2 and 3 involved the design and construction of the housing units. The fourth stage was the management of the entity and the housing stock. This was initially funded by the Norwegian government for two years to kick start the management process

and subsidize the initial monthly rentals. This stage generated employment opportunities for the beneficiaries through administration, security, and maintenance, to mention but a few. However, the fourth stage proved the most difficult since the entity relinquished the services of the Cope Housing Association. Since then four housing management companies have been hired and fired. Nevertheless, it still requires a regulatory body at local level, or a secondary housing co-operative/housing management company that will help manage the entity and the housing stock. The Troyeville Housing Co-operative has achieved racial and cultural integration, and has also accommodated people with disabilities. The entity is made up of different racial groups from different backgrounds, incomes, religions and cultures. Moreover the strategic location of the housing project has achieved integration with surrounding neighbours who were predominantly white. The members of the Troyeville Housing Co-operative participated actively in the delivery of the housing project, and continue to do so.

This unity has enabled them to create a better living environment for themselves. Members of the co-operative ended up with a housing project that they value highly because their needs and desires were taken into consideration by the professional team. Moreover, they were involved from the commencement until completion of the project. While the housing project did not yield many housing units, the beneficiaries had a sense of pride and responsibility for their houses due to their involvement. The housing project is their first valuable asset through the shares they own; thus the members have security of tenure. One of the challenges confronting the entity is that some members are defaulting on their monthly payments due to unemployment and retrenchments. The study also found that some signed up to the Troyeville Housing Co-operative simply because they were desperate for affordable houses in the inner city rather than out of commitment to co-operative principles. Furthermore, there are currently no mechanisms in place to protect the entity from losing its housing project should they default on the NHFC Loan. Members who cannot afford the increasing monthly payments do not leave as they will not gain anything; this exerts additional pressure on the entity.

5.2. Conclusion

This study found that the implementation of post-apartheid housing policies on co-operative housing delivery is confronted by numerous challenges due to factors that require special attention in order for this model to successfully deliver housing to the targeted income group. The co-operative model is not yet successful in South Africa and the challenges experienced during the pilot projects have not been addressed. Some of the entities have lost their housing projects and

suffered liquidation. These include Tswelopele Housing Co-operative and Newtown Housing Co-operative, both liquidated due to the entities failing to repay the NHFC's long-term loan (Dibetle, 2005; Jimoh, 2012). The delivery of co-operative housing projects is recommended and strengthened by post-apartheid housing policies such as Breaking New Ground (2004), and the Social Housing Policy (2005), due to the success of similar international projects. The co-operative housing model encourages the use of various funding mechanisms and the involvement of various sectors, actors, and institutions, including the community, thus achieving public-private partnerships. Co-operative housing offers an alternative tenure option in the form of collective ownership that serves as a bridge between individual ownership and rental tenure; it offers beneficiaries security of tenure and an asset in the co-operative's name, unlike beneficiaries who live in purely rental social housing. Thus it achieves one of the cornerstones of the government's housing policy: providing people in need of housing with security of tenure in addition to improving their socio-economic status through housing delivery.

Furthermore the ICA principles (see table 2.2) promote socio-economic enterprises such as housing co-operatives by creating an enabling environment. The strengths of housing co-operatives are dependent on the application of these principles. For example, through the ICA principles the housing co-operative obtains security of tenure and an identity; the members control and benefit from the enterprise. Housing co-operatives have the potential to become business entities in the long-run as they can buy multiple properties and let them out to other tenants; this has been the case in some international experiences. However, in South Africa, housing co-operatives, including the Troyeville co-operative, have not reached this level due to current challenges. International support for co-operative housing delivery was mobilised by the national government in the mid-1990s as part of its efforts to address the severe housing backlog.

The use of various housing delivery instruments, including co-operative housing was proposed in post-apartheid housing policies, and this attracted numerous international agencies. The Norwegian government was the main international funder of the delivery of pilot co-operative housing projects in South Africa, and a replica of its co-operative housing model was adopted. To ensure success, the Norwegian government provided technical assistance and capacity building programmes in addition to funding. In Johannesburg, the Norwegian government worked closely with the Cope Housing Association and the Gauteng Board of Housing. This resulted in pilot projects, including the Troyeville co-operative housing project, being successfully delivered. However, the model was too dependent on the government and international support, as all the

stages required financial subsidies. This was not an issue for the pilot projects, since the Norwegian government provided the funds through the Cope Housing Association. This was one of the factors that made the Gauteng government uneasy, especially after international funding dwindled; this contributed to the side-lining of the delivery of co-operative housing in the province. Furthermore, the current Chief Construction Project Manager for the Alternative Tenure Department within the Gauteng Department of Local Government and Housing confirmed that the implementation of the co-operative housing model requires patience as it takes a long time to implement. The newly established housing co-operative requires education and training on their roles and responsibilities as the main actors in the delivery of such housing. In addition, co-operative housing was deemed expensive by politicians who preferred individually-owned housing as it yielded more units, took less time, and was delivered by and was the sole responsibility of a professional team selected by local government; moreover, it was deemed cheaper because it was built on peripheral urban land.

The government did not value this community-driven approach as a solution to the housing challenges encountered in Gauteng as it deemed the model too slow and inefficient. Less than a decade later, the Gauteng Department of Housing was confronted by political pressure and an overwhelming housing backlog resulting from increasing demand for affordable and adequate housing. The Department had to alter its approach to delivery and shift resources from co-operative housing projects. International support dwindled and this resulted in the demise of the Cope Housing Association which was the backbone of such housing at community level. In the early years of the post-apartheid era, this Association played a vital role in making communities in the inner city aware of the co-operative housing model as a strategy to address their housing challenges. There is currently a dearth of local institutions to promote such awareness (Matsela, 2010). The Johannesburg Social Housing Company (JOSHCO) is a state-owned enterprise that focuses on delivering pure rental social housing projects.

Thus the municipality still requires a secondary housing co-operative that would function like the Cope Housing Association, but be customized in the South African context, with minimal dependence on international support. Government officials, researchers and technical advisors gained experience of such housing during the pilot projects and they could play an integral role in forming and customizing such a secondary housing co-operative. Co-operative housing has been successful in developed countries mainly because it has matured over time, and thus its delivery has sufficient support in the form of legislation, funds, institutions and supportive governments.

The greatest weakness in the establishment of the co-operative housing model is that governments in countries where co-operative housing is not initially successful fail to understand the value of this model and its potential when it is a well-established sector. In South Africa, the delivery of co-operative housing is currently supported by the institutions and funding mechanisms put in place in terms of post-apartheid housing policies (refer to table 2.3). However, this housing model still requires dedicated and detailed legislation to provide the basis for its successful delivery at community level. Another reason why the delivery of co-operative housing is not pursued vigorously in municipalities like Johannesburg is that government officials do not understand the model and its implementation even though it is recommended by post-apartheid housing policies. It could be that the Norwegian co-operative housing model adopted to deliver the pilot projects in South Africa was not suitable due to the large housing backlogs and high levels of poverty.

In Norway, co-operative housing has been in existence since World War 2; thus the key actors have significant knowledge of this model and much experience in implementing it. Furthermore, Norway is a developed country, which means that it has the financial resources to support housing co-operatives through all the stages of this model (Eek and Halvorsen, 2012). It is noteworthy that the failure of most co-operative housing pilot projects in Johannesburg occurred during the fourth stage of the co-operative housing model, the property management process. This is the most crucial stage, as it determines whether or not the housing project will be sustainable and operational in the long-term. Numerous problems arose during this stage for most pilot projects and led to their failure; refer to section 5.2.1 on the study's recommendations. The financial viability of the co-operative housing projects depended on a gradual annual increase in rentals.

This would have ensured viable management and maintenance of the projects. However, many households could not afford the increased rents. Initially, co-operative housing projects in South Africa were targeted to cater for households earning between R2 800 and R3 500 a month; however the government altered this to R1 500 to R7 500 a month to enable cross-subsidisation (mixing different income groups). In some cases, beneficiaries refused to pay monthly rentals; this negatively affected the entire co-operative. Consequently, most housing co-operatives lost their property as security of tenure depended on members fulfilling the obligations set out in the agreements they had signed. The NHFC sold most of the properties at market value to recover the loans. This has resulted in the government not favouring such housing delivery instruments. This is one of the disadvantages of using NHFC loans, even though the institution offers lower interest rates than other financial institutions. Furthermore, the lack of consumer education in the mid-

1990s contributed to the failure of these housing projects as some people signed up to housing co-operatives out of desperation, rather than due to their desire to be part of a co-operative. Thus, some members did not contribute at the level required and compromised the viability of the housing co-operative. The pilot co-operative housing projects in Johannesburg and South Africa generally were delivered before dedicated legislation was in place; policy frameworks such as the Breaking New Ground (2004), the Social Housing Policy (2005) and the Social Housing Act of 2008. All of these factors could have contributed to the neglect of co-operative housing in Johannesburg and the country as a whole. Nevertheless, housing problems cannot be solved by a single approach to housing delivery; the Johannesburg Municipality still has the responsibility to fulfil its mandate of implementing post-apartheid housing policies. Local authorities should try their best to make models such as co-operative housing work as they are recommended in these housing policies, and have the potential to achieve their objectives in addition to adding value in the affordable housing sector.

5.3. Recommendations

The aim of this study was to understand the extent to which the co-operative housing model has been used to deliver affordable housing in South Africa, focusing on the Johannesburg Municipality. The Troyeville Co-operative Housing Project in Johannesburg was used as a case study. The recommendations emerging from this study are based on the research findings, coupled with the lessons learnt from the case study and other pilot projects within the Johannesburg Municipality. Co-operative housing is one of the instruments recommended by post-apartheid housing policies for the delivery of affordable, adequate housing. The following recommendations are presented in order to increase the successful delivery of such housing.

5.3.1. South African Co-operative Housing Model

The study found that the co-operative housing model used to deliver the pilot projects was a replica of the Norwegian model since its government was one of the main funders and recommended this model. Furthermore, the scale of such housing recommended in the Social Housing Policy of 2005 was difficult to achieve prior to the release of housing policies in 2004, given that capacity and experience were limited. Therefore the study recommends that institutions and actors with relevant experience and knowledge of the co-operative housing model help to formulate a model that suits the South African context. Advanced research will be required to achieve this. The co-operative housing model is currently supported at national level through various housing policies and legislation. Such a model would require unambiguous and more

detailed legislation to be promulgated which clearly communicates the model and its delivery (CHFI, 2002; Matsela, 2010). The current housing policies recognise the co-operative housing model under the social housing programme; this is insufficient for understanding this model and the study found that this has led to the municipality promoting pure rental social housing projects. The co-operative housing model requires housing policies and legislation that provide implementation guidelines approved by Parliament. These legislative frameworks should help people interested in becoming members of housing co-operatives to deliver their own housing without depending too much on the government for capacity building (Rust, 2001). Furthermore the model should provide guidelines on property management; lessons can also be learnt from partnerships formed with companies that specialize in property management. The model should include training in property management so that the beneficiaries understand issues such as defaulting on monthly charges and sound financial management which impact the sustainability of both the entity and the housing project. Furthermore the housing co-operatives should sign forms that they accept and understand the content of the trainings; these signed forms will assist with accountability (SHF, ndb; SHF and SHIFT, 2005).

5.3.2. Consumer Education

The study found that some people signed up for the co-operative housing model during the delivery of the pilot projects out of desperation for affordable houses and not necessarily because they wanted to be part of a co-operative. Thus it is recommended that municipalities provide consumer education programmes through Information Offices, before qualifying households enter into binding housing transactions. This would ensure that they are well informed of the various available housing delivery instruments and tenure options. The targeted income groups should be educated about the housing programmes offered by the government, so that they can make informed decisions on which approach to select and remain motivated after selecting it. Adequate steps should be taken to protect the rights of and inform housing consumers/beneficiaries of the technical, legal and financial aspects of housing delivery as well as the actors and institutions in place (National Housing Indaba, 2005).

Furthermore, according to the Social Housing Policy of 2005, education, training and information sharing should take place prior to construction, during construction and post-construction in order to enable beneficiaries to make informed decisions and become responsible consumers. The study also found that there were no established institutions at community level in Johannesburg that promote the co-operative housing model as alternative tenure for affordable housing. Thus it is

recommended that local government, as the institution responsible for the implementation of housing policy within its area of jurisdiction, should research, create, and develop strategies/approaches to make such housing known in addition to raising awareness through housing consumer education programmes. Such programmes would empower consumers and generate interest in co-operative housing. They could take the form of presentations, awareness campaigns and information centres. Information on co-operative housing models should be available at these centres in the form of brochures, pamphlets or other user-friendly formats (DHS, 2010). Training and education programmes need to be made more accessible and appropriate to the target group. The programme needs to cultivate dedicated training officers and project managers who have specialised skills and are able to use community participation methods (SHF, ndb).

5.3.3. Multi-funding Mechanisms

The study found that there are currently no techniques in place to protect entities from losing their housing projects. Financial institutions only assist during the early stages of development (mainly stages two and three of the co-operative housing model). There is a need for more financial institutions to protect the housing co-operatives from losing their project when they default on payments. The Department of Human Settlements (2013) acknowledges that housing co-operatives that are currently in crisis (in the process of liquidation or losing their homes) have no support from the government or any of the institutions responsible for its delivery. The Social Housing Policy of 2005 notes that the funding available, including the institutional housing subsidy prior to 2004 was not customized for the construction of feasible medium to higher density housing projects. Moreover, no proper provisions were made for the operating and management costs of the housing stock. Funding mechanisms in the form of grants or donations are required during the fourth stage of the co-operative housing model. Strategies should be in place to remove beneficiaries who deliberately default on payments in order to prevent the entity from losing its property (DHS, 2010). Saving schemes should be encouraged or made compulsory so that members can access funds when required. Membership contributions should continue and be made compulsory prior to stage 2 of the co-operative housing model, as this builds a sense of ownership among members and motivates them to participate throughout its implementation. Furthermore these savings can be used as a repayment option for tenants who default and this could be a form of protection for the entity so that they do not lose their property (CHFI, 2002).

5.3.4. Public-Private Partnerships

The post-apartheid government does not have adequate resources and capacity to address the housing backlog alone; thus, housing delivery instruments that have the potential to groom future actors who will be responsible for housing delivery should be prioritized (Department of Housing, 1994). It is recommended that the government make resources such as capacity building funds available to people who are interested in forming housing co-operatives at either primary or secondary level. This would enable these entities to be well established and not wholly dependent on the government; international supporters and investors would fund their vision. The government should create ways to promote relationships with the community as well as involve the private sector. This will require patience; politicians involved in the delivery of affordable housing must be part of strategy formulation so that they understand the value of empowering people to be responsible for their own housing rather than depending on government; this will enable the full benefits of social investment to be realised. Politicians need to be aware that houses are investments for both the community and the government in the long run. The delivery of housing projects which do not promote community involvement and empowerment is not beneficial because the houses are not valued as assets by the beneficiaries (Department of Housing, 2005; Department of Human Settlements, 2008).

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Annexures:

Annexure 1: Key Informant Interview Schedules

Annexure 1.1: City of Johannesburg Housing Department

Interview Questions: directed to the Deputy Director

Key Informants' Name: _____ **Date:** _____

1. What is your job portfolio in this department, and how many years have you been working with the social housing programme (co-operative housing tenure option particularly) in this department?

Growth of housing co-operatives

2. What role does this department play in establishing housing co-operatives within Johannesburg?
3. Currently preliminary research states that only 23 housing co-operatives are registered in Gauteng, why has there been so few co-operative housing projects built in Johannesburg?
4. What challenges have the housing co-operatives been experiencing as non-profit entities?
5. How has this department assisted the above-mentioned actors within the Johannesburg municipality to address these challenges?

Basic services and infrastructure

6. Which challenges have been experienced by this department in providing basic services and infrastructure for co-operative housing projects?
7. Where there any of the above-mentioned challenges experienced during the delivery of Troyeville co-operative housing project?
 - a. How were they resolved?

Identifying and designating land

Land acquisition is the most crucial phase for any housing delivery process, since land is identified and designated respectively in this phase:

8. Which criteria are used by this department, on deciding whether to refurbish existing buildings or use Greenfields for co-operative housing projects?
9. How long does it take to identify and designate land or existing buildings for co-operative housing projects?
10. How was the land, used for the Troyeville co-operative housing project, identified and acquired?
 - a. What were the terms and conditions?
11. Where there any challenges experienced with land acquisition for the Troyeville co-operative housing project?
 - a. How were the challenges resolved?
12. How much of the housing project budget, is contributed towards the land acquisition stage? In particular, how much was used for the Troyeville co-operative housing project land acquisition phase?

13. What was the land zoned for before the application for the construction of the Troyeville co-operative housing project was submitted?
14. Which challenges have been experienced by this department during land acquisition phase?

Facilitating co-operative housing development

15. Does the City of Johannesburg Housing Department assist companies such as COPE Housing Association and Housing Support Centre Offices?
 - a. How are these organisations assisted?
16. Who are the other responsible actors for the delivery of co-operative housing within the Johannesburg Municipality?
17. What are their specific roles, please give a detailed description of their responsibilities as well?
18. What constraints have they had in performing these roles which ensure a successful delivery of co-operative housing?
19. In the context of co-operative housing,
 - a. Which financial mechanisms have been, and are still being used by this department?
 - b. How are these financial mechanisms arranged?
20. What are the strengths of implementing these financial arrangements in the delivery of co-operative housing projects?
21. What are the constraints of implementing the above-mentioned arrangements in the delivery of co-operative housing projects?
22. In your opinion, is co-operative housing implementable as recommended by the housing policies and legislative frameworks?
 - a. Please state your reasons.
23. In your opinion, how can the delivery scale of co-operative housing be increased within the Johannesburg Municipality?
24. Why has the delivery scale of co-operative housing, not been increased as yet?

Annexure 1.2: COPE Housing Association

Interview Questions: directed to the Project Leader/Co-ordinator

Key Informants' Name: _____ **Date:** _____

1. What is your current job post at JOSHCO?
2. What was the role of COPE Housing Association in the Troyeville co-operative housing project?
 - a. Please give a detailed description.
3. What led to the liquidation of the COPE Housing Association because it was an organisation that was the main driver of the co-operative housing concept?

Housing co-operative

4. How did the COPE Housing Association find interested families and gather them for the registration of the Troyeville housing co-operative?
5. When was the Troyeville housing co-operative formed and what were the requirements for joining this housing co-operative?
6. Did the COPE Housing Association provide developmental services such as education and training about housing co-operatives for interested families?
7. Co-operative housing tenure is owned through shares, how many shares does each member hold and do all the members hold equal shares?
 - a. Please elaborate on your answer.
8. What were your duties and responsibilities as the project leader/coordinator during the formation of Troyeville housing co-operative?

Delivery process

9. Besides the financial contributions, which other roles and responsibilities did the Troyeville housing co-operative members have to fulfil during the delivery process of the housing project?
10. Did you work in partnership with the professionals and technical advisors employed in the Housing Support Centre Office?
11. Who were other responsible actors for the delivery of this housing project and what were their roles and responsibilities?
 - a. Which challenges did the role-players experience?
 - b. How were they addressed?
12. What were your duties and responsibilities as the project leader/coordinator during the delivery process of Troyeville co-operative housing project?
13. Which lessons that could inform future delivery of co-operative housing projects, were learnt by the COPE Housing Association from the delivery of the Troyeville co-operative housing project?
14. In your opinion, how can the delivery scale of co-operative housing be increased within the Johannesburg Municipality?

Financial arrangements

15. Who provided the following financial mechanisms for the delivery of the Troyeville co-operative housing project, and what were the agreed on terms and conditions when receiving the funds?
 - a. Subsidy (Institutional subsidy)
 - b. Capital grants
 - c. Loans
16. How much was provided within each of the above-mentioned financial instruments during the delivery process
 - a. How were the funds paid out?
17. Which arrangement was in place for these financial mechanisms i.e. the budget and allocation towards the delivery process of Troyeville co-operative housing project?
 - a. What were the strengths of implementing the financial arrangements?

18. What were the constraints with implementing the financial arrangements during the delivery process?
- How were these constraints addressed?

Institutional arrangements

19. Which legislative frameworks guided the delivery of Troyeville co-operative housing project?
20. Please state the roles and responsibilities of the different stakeholders involved in the delivery of Troyeville co-operative housing project?
- How were these roles and responsibilities arranged?
 - What were the strengths of implementing these arrangements in the delivery of the housing project?
21. What were the constraints of implementing the institutional arrangements in the delivery of the Troyeville co-operative housing project?
- How were these constraints addressed?

Housing project

22. What were your duties and responsibilities after the beneficiaries moved into the housing project?
- Did you experience any challenges?
 - How did you address them?
23. Which roles and responsibilities did the Troyeville housing co-operative members have to fulfil after moving into their houses?

Annexure 1.3: Gauteng Department of Local Government and Housing

Interview Questions: directed to the Chief Construction Project Manager

Key Informants' Name: _____ **Date:** _____

- How many years have you been employed as the Acting Director of the Alternative Tenure Department?
 - What is your role in the delivery of co-operative housing projects
- In your view, what did the South African government hope to achieve through the co-operative housing sector? Has that been achieved?
 - Please state reasons for your answer.
- Which of the following provisions are in place by the Gauteng Department of Local Government and Housing, to support households who want to form housing co-operatives and also to ensure the delivery of co-operative housing projects?
 - Housing programmes
 - Legislative frameworks
 - Regulatory frameworks

4. This department according to the Housing Act of 1997 is tasked to administer housing subsidies to municipalities within its jurisdiction, in addition to the institutional housing subsidies, which other financial instruments or fiscal incentives does this department administer to ensure the delivery of co-operative housing?
5. Has the Gauteng Department of Local Government and Housing intervened in anyway, in attempt to increase the delivery scale of co-operative housing projects and growth of housing co-operatives within the Johannesburg Municipality?
 - a. If yes, how has this department intervened, in Johannesburg particularly?
 - b. If no, why have there been no interventions?
6. In your opinion, considering your experience with the co-operative housing sector and your knowledge regarding the delivery of Troyeville co-operative housing project:
 - a. What are the strengths of the co-operative housing sector?
 - b. What are the weaknesses of the co-operative housing sector? (How can they be addressed?)
7. Has this department established co-operative housing information centres to serve the people around Gauteng and Johannesburg particularly, informing them about beneficiary managed housing opportunities such as co-operative housing?
 - a. If not, why?
 - b. If yes, what has the response from the target group been?
8. In your opinion, how can the delivery scale of co-operative housing be increased within the Johannesburg Municipality?
9. In your opinion, do you think the co-operative housing sector has met the housing policy objectives?
 - a. If yes, please state how it has met the housing policy objectives?
 - b. If not, how can it meet the housing policy objectives in the future?

Annexure 2: Focus Group Discussion

Annexure 2.1: Troyeville Housing Co-operative – Board of Directors

Guideline Questions directed to the Troyeville Housing Co-operative – Board of Directors (THC – BoD)

Date:.....

Background information

1. What is the population rate by race in the Troyeville Housing Co-operative?
2. How many households are:

1	Male-headed household
2	Female-headed household
3	Child-headed household

Other (Specify) _____

3. What is an average household number within this housing project?

4. What is the current employment status of the members?

1	Self-employed (Informal and informal traders)
2	Employed in the Formal Sector
3	Employed in the Informal Sector
4	Unemployed

Other (Specify) _____

5. If unemployed, what are their sources of income?
6. Considering your income range presently amongst the members, would you say living in a co-operative housing project is affordable?
7. How many of the beneficiaries are:

1	Educated (Secondary School level, Tertiary level)
2	Uneducated (No schooling, Primary School level)

8. What is the current health status of the members?

Housing Co-operative:

9. Did you understand the regulations and responsibilities of joining housing co-operatives before you become a member?
10. Which benefits have you enjoyed as a member of this housing co-operative?
11. Which challenges have you experienced as a member of this housing co-operative
- a. How have you addressed these challenges?
12. Would you advice other families to form housing co-operatives?
- a. Please elaborate on your answer.

Delivery process

13. In your opinion, were the responsible Actors for co-operative housing projects helpful during the delivery process of the housing project, formation and management of the housing co-operative?
- a. If yes how were they helpful?
- b. If no, please state your reasons and what did you hope to learn and achieve through the offices?
14. How much did the members contribute towards the initial building capital?
- a. In your opinion, was the contribution fee affordable?
15. Which lessons did you learnt as members of this housing co-operative during the delivery process?
16. Which stages out of the four stages, namely; stage one – establishment of the housing co-operative; stage two – feasibility and planning of the housing project; stage three - design and construction of the project; and stage four - management of the housing project and entity were the most challenging?
- a. How were these challenges addressed?

Housing project

17. To what extent are the members satisfied with the following elements of their units:

- a. Please rate your level of satisfaction on the following table.

	1. Dissatisfied	3. Satisfied	4. Very satisfied	5. No comment
Living space within the house				
Standard of the buildings				
Workmanship				
Costs (rent, operational costs and loan repayment)				
Safety and security				
On-going maintenance and management				

18. In addition, please explain why you were not satisfied with the above-mentioned elements and how would you improve them?

19. In your opinion, what are the strengths of this housing project?

20. In your view, what are the weaknesses of this housing project?

- a. If possible, how would you make them strengths?

Property and Entity Management

21. When did the Board of Directors take over from the Cope Housing Association?

- a. What were the reasons for letting go of the Associations services?

22. How often does the Board of Directors undergo training? And who facilitates this training?

23. Do you still receive support from the government during this phase?

- a. If yes, what form of support?

24. Which challenges have the THC – BoD members experienced and how were they dealt with?

25. What lessons can you share with us considering the years of experience you have in the Housing Co-operative

26. What advice would you give to people who want to start housing co-operative?