

Study circle guide



Housing Finance

Prepared by Afesis-corplan

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COOPERATIVECENTRE

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A Introduction

This document is designed to make you think about what is involved in housing finance for housing cooperatives. It looks at finance for housing cooperatives from the start to the end – from the pre construction stage through the construction stage to the stage of living in the houses.

It is targeted at study circles that want to learn more about housing finance. If you really want to get money for cooperative housing you must work through your housing management cooperative.

After working through this study guide you should:

- Understand what money is needed to construct housing cooperatives and where this money can come from;
- Understand what money you need when you live in housing cooperatives; and
- Understand the trade-offs needed when making decisions on housing finance

The study guide can be worked through a number of study circle meetings.

B Housing Finance

1 Household budget

Activity – individual
Household budget 1

Think about your household. What do you spend money on and where does this money come from?

Reading – group
Income and expenditure

Read the following list and compare with what you have come up with.

For you to survive the money that comes in must equal to or be more than money that goes out.

Money that comes in is your income and includes:

- Wages
- Salary
- Remittance from family member working in another city
- Social welfare grants

The things you spend money on are your expenses and include:

- Food
- Clothes
- Rent
- Taxi
- School fees
- entertainment
- buy or built a house

- furniture

Discussion: group
capital and running costs

Discuss the following question. In the above example, of the money you spend, what things do you spend money on:

0. only a few times – these are usually your capital costs; and
0. all the time – these are usually your running costs?

2 Pre construction and construction phase

Reading: group
Money for housing

Read the following information

In housing, money is needed in 2 main phases:

0. To plan for and build the houses (pre construction and construction phase)
0. To live in the house once they are built (the post construction and on going management phase)

During the pre project and project phase, money is needed to pay for:

- Paying a person to look for the land
- Buying the land
- Bulk services (bigger water pipes and main roads, etc)
- Planning and land transfer
- Putting in internal services (water pipes, sewerage pipes, local roads, etc)

- Building the house

After the houses are built you need money to:

- Pay for the water and electricity you use
- Pay for the municipal rates and taxes (e.g. for refuse removal and sewerage treatment)
- Maintain the house
- Extend the house

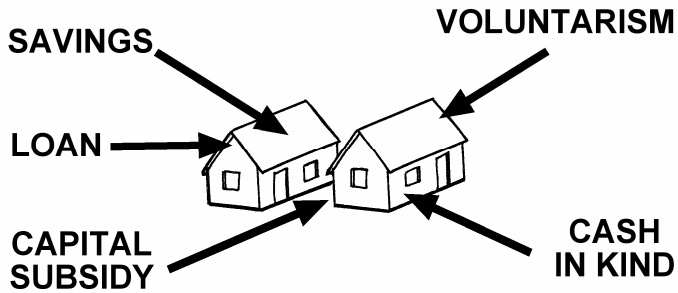
These one going costs are discussed further latter on.

The main ways to get money for these capital and on going housing costs are:

2. Savings: e.g. save money over time towards member contribution to buy the land
2. Loan: e.g. use savings track record as guarantee to take out land access loan from savings and credit cooperative
2. Capital subsidy: e.g. government provide R20 300 to build houses

Other things you can do:

2. Voluntarism: e.g. households provide free labour to clear the site of trees
2. Cash in kind: e.g. municipality pay for town planner to plan the project.



The advantages and disadvantages for housing of savings and loans are:

- Loan
 - Able to construct more complete unit
 - More likely to default on a loan if its over longer period of time

- savings
 - usually able to provide basic unit to start
 - do not fall into loan default trap and loose property

Discussion – group
Options for housing finance

Discuss, what are the advantages and disadvantages of all these different methods of getting money.

3 Savings and Credit Cooperative

Reading – individual or group
Saving and credit cooperative (sacco)

Read the following section on Sacco's.

A Savings and Credit Cooperative (Sacco), also called Credit Unions in other parts of the world, is a democratic, member driven, self help, not for profit financial cooperative. It is owned and governed by members who have the same common bond - for example - all people who live in a particular area.

The members agree to save their money together in the Sacco and to make loans to each other at reasonable rates of interest. Interest is charged on loans, to cover the interest cost of savings and the cost of administration.

Sacco's are democratic organisations. Members elect a board of directors at the annual general meeting to make overall management decisions. Members also elect a supervisory committee to perform the function of an internal audit.

The board of the Sacco nominates a credit committee who make all decisions relating to who can get loans.

The Sacco can employ a manager/ administrator to manage the day to day affairs of the Sacco. A special savings and loan computer package is used to administer the savings and loans.

Each Sacco is an independent organization and makes its own rules and designs its own savings and loan products based on the members needs.

The Sacco provides its members with a number of financial services.

1 Shares

Every member must purchase a minimum share to make each member an owner of the cooperative. All member - owners only have one vote.

2 Target Savings

These are special savings accounts that are paid out to members at a certain time. Back to School Savings in January and

Christmas Savings in November. Housing savings are paid out when a person is allocated to a new house. The Sacco provides you interest to save your money with them. If a person withdraws their savings early they lose all their interest. These special purpose savings can not be used to motivate for a loan (except quick loans).

3 *Savings - Loans*

You can use your Savings - Loan account for general savings. You can withdraw these savings or you can use what you have saved to motivate for a loan. A person must have been a member for more than 6 months to be able to apply for a loan. Generally the Sacco will provide you with a loan to the value of 3 times what you have saved in your savings loan account. The loans can be repaid over short (within a year), medium (1 to 3 years) and long (3 to 5 years) period. The Sacco charges you interest on these loans. The credit committee can change these rules depending on the circumstances. There is a maximum loan amount you can receive. You can use the savings - loan account take out a loan for things like home improvement.

4 *Quick loans*

Quick loans are available to people who have been members for 3 or more months. At the moment a person can only apply for quick loans of R100 to R500 in multiples of R100 and then you have to pay back R115 each month for 1 to 5 months depending on the size of the quick loan.

5 *Other products*

The Sacco has other products and is always investigating different products for its members. This includes for example, life and loans insurance and funeral cover.

Task – group or individual

Sacco

Task one of the members or each person to find out more about the Sacco(s) in your community and set a date for a report back.

4 Housing Capital subsidy

Reading – Individual or group
Housing capital subsidy

Read the following section.

The government has identified housing as one of its main challenges. In order to help people get a house the government has established a housing capital subsidy programme. Since April 2002, the government provides R20 300 per household to people who earn less than R1 500 per month. The amount of the subsidy goes down the more your household income goes up. So for people who earn more than R3 500 they do not qualify for any subsidy.

The government sees this as its contribution and expects the beneficiary to add to this so that they can get a nice house.

In order to qualify for a government housing subsidy a person must:

- Have a household income of less than r3 500 per month
- Be a SA citizen
- Be 21 years or older
- Have dependents
- Not have received a subsidy before
- Not own or have owned a house

The subsidy must be used to:

- Buy the land

- Pay the professionals to plan, design and transfer the land ownership
- Buy the material
- Pay the builders

There are different types of subsidies. The main one being:

2. Project linked subsidy; where a developer applies on behalf of the community and then allocates the houses to the beneficiaries. The beneficiary then owns the house.
2. Institutional subsidy: where an institution (organisation) applies for the subsidy and the houses are owned by the institution.

The subsidy can be categorised according to:

- Ownership type
 - Private ownership - Project linked or individual subsidy
 - Group ownership – Institutional subsidy
- Delivery method
 - Developer driven – project linked or institutional subsidy
 - Peoples Housing process

For housing subsidies the government pays money after completion of stages.

0. Planning
0. Engineering
0. Services
0. Land transfer
0. house

The developer of the houses needs to use their own money in the beginning to do build the work as the government only pays the money after each of these tasks are completed.

For Peoples Housing Process projects however the government can transfer some money for the house stage up front to an account administrator (who makes sure the money is properly accounted for). This avoids the need for the people to use their own money to build the houses and only get paid when the houses are complete. Money can be paid out by the account administrator on completion of smaller tasks (e.g. foundations etc.) that have been checked by a building inspector (certifier).

The Eastern Cape government introduced in 2001 a new programme called the Rapid land release programme. In this programme:

- a developer (e.g. the municipality) builds the services; and
- small contractors or people themselves organise and build the houses

There is another programme available to provide bulk and connector infrastructure for housing development called the Consolidated Municipal Infrastructure Programme (CMIP). Bulk infrastructure includes for example the main roads, main water pipes and sewerage pipes. The money for the local roads and pipes within the neighbourhood however need to come from the housing subsidy.

Other departments like the department of Land Affairs also provide money for buying land and putting in some of the infrastructure.

Cooperative housing projects use the institutional subsidy. The main features of an Institutional subsidy project are that:

- An institution (e.g. a housing cooperative) has to own the houses for at least 4 years (after which the houses can be sold to individuals)
- The institution can apply for a R16 000 subsidy for anyone earning less than R3 500 per household (there is no sliding scale)
- Other funds (e.g. savings, sweat equity, or loans) have to be added to the subsidy
- If a person leaves the institution while the institution owns the property then the person can apply for another subsidy in another

area (with other subsidies, once you get a subsidy you cant get another one).

5 Capital budget - Example

Reading: group or individual
Capital budget

Read the following section and make sure everyone understands what each item in the table is for.

Note: This table is copied from an example developed by the national Department of Housing in early 2002. The actual categories and amount per category will change from project to project.

Example capital budget

No.	Item description	Amount (rands)
1	SERVICES	
2	Land costs	
3	Land acquisition	313.47
4	Opening township register	6.27
5	Attorneys fees, land purchase and establishment	12.54
6	Sub total land cost	332.28
7	Indirect costs	
8	Project management	313.47
9	Geo technical investigation	37.62
10	Countour survey	25.08
11	Land surveying and site pegging	125.39
12	Land survey examination fee	35.57
13	Town planning	189.27
14	Civil engineer: services	376.15

15	Site supervision: clerk of works – civils	95.29
16	Social facilitation	125.39
17	Legal fees – agreement	6.27
18	Sub total indirect costs	1 312.81
19	Direct costs	
20	Water reticulation (including meter)	1 930.95
21	Sanitation reticulation	2 244.41
22	Roads	1 441.94
23	Storm water	2 087.65
24	Street lighting	50.15
25	Sub total direct costs	7 755.13
26	Total cost for serviced stand	
27	Sub total land cost	332.27
28	Sub total indirect costs	1 312.79
29	Sub total direct costs	7 755.13
30	Total costs services	9 400.18
31	Total costs services rounded off	9 400.00
32	HOUSE	
33	Earthworks	798.00
34	Concrete, formwork and reinforcement	1 074.00
35	Brickwork	2 842.50
36	Roof structure	2 290.25
37	Windows	970.92
38	Doors and frames	639.65
39	Finishing and paintwork	400.40
40	Plumbing and toilet	600.00
41	Material	9 515.72
42	Labour	2 365.47
43	Sub total	11 281.19
44	Preliminary and general	479.25
45	Overheads	538.15
46	Profit	410.34
47	Total	13 418.93
48	Grand total	22 818.93
49	Grand total rounded off	22 800.00

6 Subsidy types – case study

Activity – individual
Subsidy types 1

By yourself, read the following examples and decide which type of finance and delivery methods each of these projects are using.

- A. A municipality appoints consultants, consultants meet ward committee and develop plans, municipality uses its waiting list to allocate people to the project. Municipality goes out to tender and employs a contractor, contractor builds houses. People take ownership.
- B. Municipality develops land and puts in communal toilets and communal standpipes. Municipality moves people from an illegal squatter settlement to the land. People given right of occupation certificates. People move on land and build shacks. Municipality informs occupants that it has applied for a subsidy but dept of housing say it may be approved in next financial year.
- C. Municipality approach a community of informal settlers that they plan to employ a developer to upgrade their community. The community rather decide to set up a trust. Trust applies for a subsidy. Trust employs a construction manager to oversee volunteer building teams. Members agree to do most of the work for free to get a bigger house. Houses built. Land is transferred to the beneficiaries. Beneficiaries take ownership and move into houses.
- D. A Housing Management Cooperative (HMC) negotiates to buy land from the municipality for some of its members. Municipality gets money from provincial government to put in bulk services to the

project. HMC applies for a housing subsidy from government for 200 houses. HMC allocates members that have saved a target amount of money as a member contribution to housing cooperatives of about 25 units each. Housing cooperatives (HC's) appoint the HMC to act as their agent to develop the houses. HC's agree to use a builder to build their houses. HMC appoints the builder. Builder builds the houses employing local labour that has been trained in construction by Dept. of Labour. HC members move into houses and own the houses collectively.

- E. A Housing Management Cooperative (HMC) organizes to build apartments for workers in the town. HMC Applies to get subsidy. Negotiates with a financial institution for a loan for the HMC to add to the subsidy. Appoints architect to plan and manage the construction. HMC advertises for people to live in apartments. Special allocation process organized to choose who gets apartments. Allocated people establish HC and move into houses. Own houses collectively.
- F. A group of tenants of a block of flats negotiate to buy the building from the landlord. The tenants set up a housing cooperative. Tenants buy shares in the housing cooperative. Share entitles them to live in a unit. Government advises them to apply for one of the subsidy types. The housing cooperative employs the services of a builder to help them renovate the building.

Note: suggested answers are provided at the end of this document.

Discussion – group
Subsidy types 2

Report back findings to study circle meeting and discuss answers to reach consensus.

As study circle, discuss advantages and disadvantages of each option.

7 Capital costs – case study

Reading - Small groups
Capital costs

In smaller groups of about 3 people each read through the following case study.

A housing management cooperative asked a friendly non government organization to give them options for how much it will cost to build services and houses.

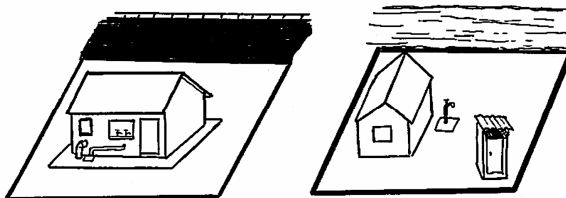
5. Different sizes of plots

- Big (800 m²)
- Small (300 m²)



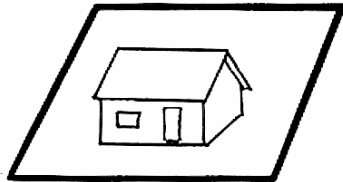
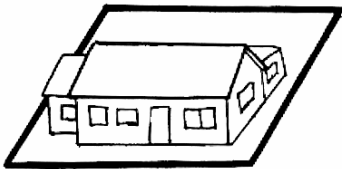
6. Different level of services (high level and low level services)

- High level (waterborne toilet, tar roads, water inside house)
- Low level (pit latrine, gravel roads, yard tap at each house)



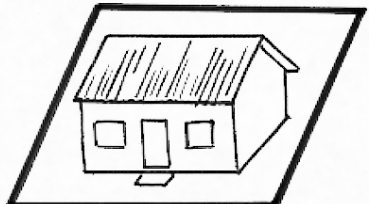
7. Different sizes of houses

- Big house (60 m²)
- Small house (30 m² house)
-



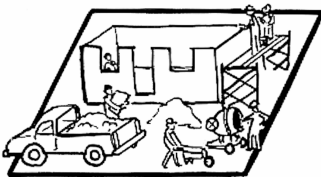
8. Different quality of finishes for houses: and

- High finish (cement tiled roof, good doors, ceilings, plastered and painted)
- Low finish (corrugated iron roof, cheaper doors, no ceilings, plastered only)



9. Different construction method.

- Builder (employ a builder to manage the construction)
- Voluntary (provide some voluntary labour from members for easier tasks and employ tradesperson for more difficult tasks)



The NGO came up with the following table of costs. From this table choose one budget for land, services, professional fee and house. For example choose one amount from number 1, one amount from number 2, one amount from number 3, and one amount from number 4.

no	Type	Amount
1	Land	
1.2	Big land	1000
1.3	small land	500
2	services	
2.1	Big plot - low level of services	4000
2.2	Big plot - high level of services	6000
2.3	Small plot - low level of services	2000
2.4	Small plot – high level of services	4000
3	professional fees	1000
4	House	
4.1	big house – high finish - builder	40000
4.2	big house – high finish - voluntary	30000
4.3	big house – low finish - builder	30000
4.4	big house – low finish - voluntary	20000
4.5	small house – high finish - builder	25000
4.6	small House – high finish – volunteers	20000
4.7	small house - low finish - builder	20000
4.8	small house - low finish – volunteers	15000

Add up the total from what you have chosen. The following provides two examples.

Examples	
Example 1: small land, low services, professionals, small house, high finish, voluntary	23500
Example 2: big land, high services, professionals, big house, low finish, builder	38000

The community has organized the following money:

- Government subsidy R20 300
- Member savings R 3 700
- Total R24 000

Discussion – small groups

Trade off's 1

In your small groups of about 3 people each work out how you will spend the money. Come up with a budget that fits the money you have available. For example maybe you decide to make your house smaller. R24 000 is all the money you have. You have explored all other ways to get this money but this is the most you can afford.

Discussion – group

Trade offs 2

Report back your compromise to the group and compare with other

smaller groups. How have people compromised? Discuss what trade offs you have made and why. For example:

- More land less house
- More services less house
- Bigger house poorer quality

8 Post construction phase or on going management

Discussion – group
On going costs 1

What do you pay now every month to live where you are? Why you need to pay money every month?

Reading – group
Example

Read the following section.

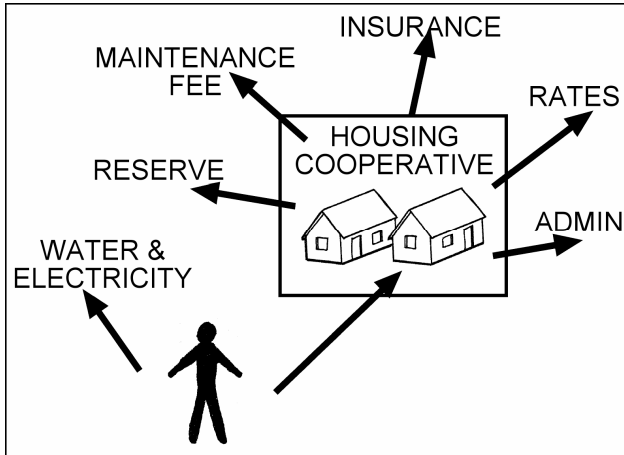
Once you live in your housing cooperative you will have to pay monthly fees to the housing cooperative. Your monthly fees are used to pay for the following type of things.

- **Rates and Taxes:** The housing cooperative, as the property owner has to pay rates and taxes to the municipality. The municipality uses this money to pay for cleaning the water, getting rid of the sewerage, sweeping the streets, having a fire engine available, paying for municipal administration staff. Your rates are worked out according to the value of the property. The Housing Cooperative has to collect this money from all the members so it can pay the municipality.
- **Insurance:** The housing cooperative has to buy insurance to cover things like fires and floods. If all or some of the houses in the Housing Cooperative are burnt down the Housing Cooperative can then ask the

insurance company to pay for rebuilding the houses. The housing cooperative will only insure for the basic starter house. If you add to your house you will have to decide if you want to pay a little extra insurance so that if your house burns down, and you have made improvements, the insurance company will give you enough money to rebuild the whole house.

- **Maintenance Fee:** The housing cooperative is responsible for fixing any breakages and problems in the common space and the common services. For example if the sewerage pipe breaks in the common space and this causes the toilets to overflow for lots of houses, the housing cooperative will have to fix it. The housing cooperative therefore has to set aside some money every month into a maintenance account so it can pay for such maintenance. The maintenance of your own personal space is the responsibility of the member allocated to that personal space.
- **General Reserve:** The housing cooperative may want to put money into a general reserve for unexpected emergencies or for future upgrading of the houses and common space. This could also be used to provide loans to members who for one reason or another can't afford a month's monthly fee. They can then pay this back in future months.
- **Administration Fee:** The person or organization who helps the housing cooperative to collect the monthly fee from its members (e.g. the Housing Management Cooperative) and pay off your accounts (e.g. to the insurance company and municipality) will charge you a fee to cover the staff required to administer this process

You will be responsible for paying for the water you use directly to the municipality. If you have pre payment electricity you will have to pay for the pre payment cards for the electricity you want to use.



This table gives you an example of what a monthly fee could include. The actual amounts will depend on each project and what the municipality and others charge.

Monthly Budget - Example

#category	total Rand	Comments
1rates	17.00	Municipality estimate.
2sewerage	20.00	Municipality estimate.
3sub total 1	37.00	Paid by member to municipality via the housing cooperative.
4fire	5.50	Municipality estimate.
5refuse	50.00	Municipality estimate.
6water	52.00	Based on 20 Kl, with first 6 Kl being free, assuming credit water meter. Actual amount will depend on the user.
7sub total 2	107.50	
8rebate on sub total 2	100.00	Up to R100 for households earning less than OR1 500/ month
9sub total 2 less rebate	7.50	Paid by member to municipality directly.

10administration	10.00 Charged by housing management cooperative for monthly fee administration service.
11maintenance	10.00 Kept in housing cooperative reserve account for maintenance of common space.
12emergency fund	10.00 Kept in housing cooperative reserve account for emergencies as determined by housing cooperative.
13property insurance	5.00 Estimate, for fire, flood etc.
14bad debt	5.00 Estimate, could be in emergency fund
15Total (excluding electricity)	84.50
16electricity	65.00 Based on 180 Kwh. Not provided at start of project. Actual expenditure will depend on consumption. Prepayment cards will be purchased by user.
17Total (including electricity)	149.50

In the above example the member will pay R84.50 per month if they do not have any electricity and R149.50 if they do have electricity. This also assumes the member is entitled to a R100 discount from the municipality for households earning less than R1500 per month.

Other household expenditure such as repayment of furniture on hire purchase or repayment of loans from the Savings and Credit cooperative for adding on extra rooms will have to be added to this amount.

Task – identified members
Actual monthly fees

Do research to find out what these costs will be for you if you moved in to a housing cooperative now.

9 Affordable housing

This section looks at the reasons why you need to pay money every month and explores options for how to make it more affordable to live in a house.

Reading – group
Affordability case study

Get one of the group members to read the following case study.

- A Housing Management Cooperative built a cooperative housing project of 500 houses 20 km from the city center.
- The houses are 40 m² with gravel roads and waterbourne sewerage.
- Allocation was done on a first come first serve basis.
- In this project one of the beneficiary families earns R2 500 per month as 2 of the children in their 20's work in the nearby town. The family does not benefit from the discount for people earning less than R1 500 per month.
- The municipality provides the first 6000 litres of water per month free according to the governments commitment to free basic services.
- The household pays about R140 per month to the municipality for rates and service charges (see table in example above).
- After 6 months of living in the house, one of the people from the household (the son) was injured at work and lost his job. The household now has to survive on R800 per month.
- The household could no longer to afford the R140 per month.
- The shops in the community where also expensive as the nearest larger shopping area was 10 km away.
- The household decided to sell their house at R4000 and move to shack closer to town so that they did not have to pay the taxi fares into town and could be closer to town to look for a job.

Discussion – group
Affordability

In 2 smaller groups discuss the following questions based on the case study above:

5. What went wrong in the case study above?
6. What could the Housing Management Cooperative have done to prevent the household having to move out of the house?
7. Which of the examples below do you think are the best and motivate your answer?
8. Which of the examples below are the easiest and hardest for the housing Management Cooperative to do and motivate your answer?
9. What else could the Slow Town Housing Management Cooperative have done to prevent the household moving?

Examples of what the Housing management cooperative can do to help member.

3. Negotiate on behalf of the household to get an discount of R100 for households earning less than R1 500 per month.
4. Advise the household to get a disability grant fro the son.
5. Build some more housing cooperatives that provide communal standpipes and pit latrines where the monthly fees are only R40 a month.
6. Build some more housing cooperatives closer to town to reduce taxi fairs.
7. Advise community members to set up a commuter and consumer cooperative (arrange for a taxi driver to provide cheaper travel, and buy food in bulk with other members)

10 Cooperative ownership

Reading – group

Get one member of the group to read the following section.

Co-operative ownership is a form of tenure, distinct from ownership tenure and rental tenure, where a members share in a housing co-operative entitles them to use a specific unit for as long as they pay their monthly fees and abide by the rules of the housing co-operative.

Cooperative ownership is like rental in that the member pays a monthly fee to cover the costs of the co-operative (e.g. rates and maintenance) and like ownership in that the member owns shares in the co-operative that owns the land. A member is referred to as a tenant- owner.

Transferring a members share implies a transfer of the right to live in and have exclusive use of a particular personal space and shared use of the common space. In cooperative ownership we refer to transferring shares and not to selling a unit because the person does not own the property and therefore can't sell it. The person sells their right to occupy a particular unit. This right is given through the ownership of the share.

There are different forms of co-operative ownership ranging from:

1. no equity where when a member leaves they only transfers their share to an incoming member at a price that is linked to what they paid for the share;
2. limited (or restricted) equity where when a member leaves they transfer their share to an incoming member up to a price that takes into account what they have invested in the unit; and
3. full equity where when a member leaves they transfer their share to an incoming member at a market determined price.

Tenure type	What you get out when you leave	
Rent	Nothing	
Cooperative ownership	No equity	Your share
	Limited/ restricted equity	Your share plus the value of approved improvements you made
	Full equity	What the incoming person is prepared to pay
Private ownership	What the incoming person is prepared to pay	

When you join the housing cooperative you buy a share at a nominal value (the value shown on the share certificate) that is determined by the members (for example R10). This share entitles you to live in a particular unit for as long as you like, as long as you pay your monthly fees and you follow the rules of the housing cooperative.

Your share in the housing cooperative can be inherited by your family. When you join the housing cooperative you name the person who your share will go to should you die.

If you leave the Housing Cooperative you then transfer your share to an incoming person. This person is drawn from the top of the savings list of the housing management cooperative. The housing cooperative has the final say in approving the membership of this new person, but they can not withhold membership without a good reason.

In limited equity cooperative ownership the amount of money an outgoing person receives when they leave the housing cooperative is worked out in the following way:

1. The original share amount

2. Plus the original member contribution the outgoing person paid when they moved in
3. Plus the value of approved voluntary labour during construction (if any)
4. Plus the cost of approved improvements the outgoing member made while they were living in the house
5. Plus a proportion of the costs of approved improvements to the common space the housing cooperative made while the outgoing person was a member

Some Housing Cooperative's also add the average inflation rate over the period since the improvements were made and subtract depreciation over this period.

The original value of the government's subsidy contribution stays with the housing cooperative. The outgoing member does not receive this value when they leave. In effect they are therefore entitled to receive another government housing subsidy. The incoming member also does not have to pay this portion of the value of the unit. In this way the value of the house is kept affordable for incoming members.

If the housing co-operative receives a government institutional housing subsidy, the housing co-operative will have to own the property for at least 4 years. After 4 years the housing co-operative could either:

6. Continue to use co-operative ownership with limited (or restricted) equity
7. Continue to use co-operative ownership but remove the restrictions on share transfer (become full equity cooperative ownership)
8. Transfer the personal spaces to individuals and keep co-operative ownership of the common space. This is similar to sectional title except that a housing co-operative owns the common space not a body corporate.
9. Transfer the personal space to individuals and transfer the common space to the local authority (in this instance the housing co-operative would be disbanded).

Exercise – group
Cooperative ownership

Organise the group into pairs. Each pair to undertake the following exercise

When Ms. Mboni joined a housing cooperative she paid the following amount of money:

Share purchase	R50
Member contribution:	R1 500

The housing cooperative received a government institutional subsidy of R20 300 per house to contribute towards the construction of Ms. Mboni's house.

After 1 year of moving in Ms. Mboni had saved enough money and got a loan from her employer to add on a room to the house that cost R8 000 to build.

After 2 years of living in the house, Ms. Mboni got another job in another town and had to leave the housing cooperative

The following are 3 examples of how much money Ms. Mboni will receive when she leaves the housing cooperatives. Which of these 3 examples are limited equity cooperative ownership and motivate your answer.

- Example 1: The share is transferred to Mr. Chawe (a Housing Management Cooperative member) who buys share of R50 and pays R32 000 to Ms. Mboni.
- Example 2: The share is transferred to Mr. Dlamini (he is not a member of the Housing Management Cooperative). Ms. Mboni gets paid back her share of R50.
- Example 3: The share is transferred to Mr. Chawe (a Housing Management Cooperative member) who buys share of R50 and pays R9 500 to Ms Mboni.

Discussion - group
Share transfer 2

Report your answer back to the larger group and motivate your answer.

11 Action planning

Activity – whole group
Action planning 1

Assume that you are at the pre project phase. Identify a 'housing project' you can use as an example. Discuss what type of housing subsidy you want to apply for.

Activity – small groups
Action planning 2

Organise yourself into 2 smaller groups. One group to develop an action plan for 1) how to get housing subsidy money and the other group to develop an action plan for 2) how to get savings and/or loans

An action plan sets out who does what by when and how. Use the table on the next page to help. Make sure you list who is involved in each step.

Activity – whole group
Action planning 3

Report back your action plan to the whole group.

Action Plan

Example sheet

Numbe	Activity	Who does step

D Conclusion

You should now have a better understanding of the issues involved in housing finance.

If you have not already done so organise a committee or ask your housing management cooperative to organise a committee to start looking at how to arrange housing finance for housing projects.

No more play - start action planning for real.

D Suggested answers

Subsidy types – case study

- A. Project lined subsidy, contractor built
- B. Informal settlement, informal construction
- C. Project linked subsidy, peoples housing process
- D. Rapid land release for bulk services, Institutional subsidy for housing cooperatives, emerging contractor construction
- E. Institutional subsidy, contractor built
- F. Institutional subsidy, contractor built.