

**THE IMPACT OF THE INSTITUTIONAL SUBSIDY ON THE
REGENERATION OF THE INNER CITY
OF JOHANNESBURG**

BY

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DEDICATION

IN LOVING MEMORY OF MY PARENTS

MATTHEW NTSIMBERI AND SOPHIE MALEBO SONO

ABSTRACT

The purpose of this study was to investigate the impact that the institutional subsidy, a programme of the National Department of Housing, had on the efforts to regenerate the inner city of Johannesburg, in addition to determine whether it pioneered the affordable rental tenure option in the inner cities.

The problem that led to the investigation was that there is rapid urbanization and the impact of migration of people from all walks of life into the inner cities has led to overcrowding and shortage of housing especially for the lower income groups. Johannesburg being the economic powerhouse of Africa is one of the cities that are most definitely affected judging by the number of inner city resident's figures that increase each year. There is a need to determine how the Johannesburg Metropolitan Council is coping with the problem. Johannesburg is also a host city for the 2010 world Cup, therefore, a number of economic opportunities arise in this regard. The comprehensive regeneration strategies aimed at reshaping the city and in turn raising investment prospects for the city will be undermined if the regeneration is carried out without paying attention to the increasing problem of overcrowding and homelessness in the inner city.

The researcher used a quantitative research method for this study as it was deemed suitable for this type of research. More specifically, a survey method was chosen where a questionnaire had been designed to illicit the particular information from respondents. Scaled response questions, in particular Likert-type scale questions (Struwig & Stead, 94:2004) and dichotomous questions were chosen for the purposes of this particular study. A survey was conducted among inner city residents staying in one of the housing institutions that had participated in the Government housing subsidy scheme. The questionnaire was distributed among 60 respondents and the response rate was 50%. Data was analysed using descriptive statistics and some inferences made.

The study acknowledges tremendous effort on the Johannesburg council's part to upgrade and regenerate the city from urban decay.

Much effort has also been done to alleviate the housing problem within the city but the influx of people from all over, including the African states, will always create overcrowded conditions. Slum lords will continue with their operations unabated. Especially since it has proven difficult to evict illegal tenants due to legislation that requires that alternative accommodation is provided for the incumbents in order to successfully evict. Prevention of Illegal Eviction from and Unlawful Occupation of Land Act, No. 19 of 1998. (PIE Act).

The findings were investigated in the light of objectives set out and some recommendations regarding how to resolve the overcrowding problem were made.

Opsomming

Die doel van hierdie studie was om die impak te ondersoek wat die institusionele subsidie, 'n program van die Nasionale Departement van Behuising, gehad het op die pogings om die binnestad van Johannesburg te laat herlewe en daarby om vas te stel of dit die weg gebaan het vir die opsie van bekostigbare huurbesitreg in die binnestede.

Die probleem wat tot die ondersoek gelei het, was dat daar vinnige verstedeliking is en die impak van verhuising op mense vanuit alle werkkringe na die binnestede het tot oorbevolking en 'n tekort aan behuising gelei, veral vir die minder gegoedes. Johannesburg, wat die ekonomiese stukrag van Afrika is, is een van die stede wat beslis hierdeur geraak word geoordeel aan die aantal inwoners in die binnestad wat elke jaar toeneem. Daar is 'n behoefte om vas te stel hoe die Johannesburgse Metropolitaanse Raad die probleem hanteer. Johannesburg is ook 'n gasheerstad vir die Wêreldbeker in 2010. 'n Aantal ekonomiese geleenthede doen hulle dus voor in hierdie verband. Die omvattende vernuwingstrategieë wat daarop gemik is om die stad te hervorm en op hulle beurt aanleiding kan gee tot beleggingsmoontlikhede vir die stad, sal ondermyn word as die vernuwing uitgevoer word sonder om aandag te skenk aan die toenemende probleem van oorbevolking en haweloosheid in die binnestad.

Die navorser het 'n kwantitatiewe navorsingsmetode gebruik vir hierdie studie aangesien dit as geskik beskou is vir hierdie soort navorsing. Meer spesifiek is 'n opnamemetode gekies waar 'n vraelys ontwerp is om die bepaalde inligting uit respondente te verkry. Vrae met geskaleerde antwoorde, in die besonder Likert-soort skaalvrae (Struwig & Stead, 94:2004) en tweeledige vrae is vir die doeleindes van hierdie bepaalde studie gekies. 'n Opname is gemaak onder inwoners in die binnestad wat in een van die behuisingsinstellings woon wat aan die staatsbehuisingssubsidieskema deelgeneem het. Die vraelys is onder 60 respondente

versprei en die responskoers was 50%. Data is ontleed deur beskrywende statistieke te gebruik en 'n paar gevolgtrekkings te maak.

Die studie verleen erkenning daaraan dat die Johannesburgse raad 'n yslike poging aanwend om die stad op te gradeer en dit uit stedelike verval te laat herlewe. Baie moeite is ook gedoen om die behuisingsprobleem in die stad te verlig, maar die instroming van mense uit alle rigtings, insluitend die Afrika-state, sal altyd oorbevolkte toestande skep en krottemelkers sal onverpoos met hulle werksaamhede voortgaan.

Veral aangesien dit moeilik is om onwettige bewoners uit te sit as gevolg van wetgewing wat vereis dat alternatiewe akkommodasie vir die bewoners voorsien word ten einde hulle suksesvol uit te sit (Wet op die voorkoming van onwettige uitsetting en onregmatige besetting van grond, 1998).

Die bevindinge is ondersoek in die lig van doelwitte wat uiteengesit is en 'n paar aanbevelings aangaande toekomstige navorsing is gemaak.

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CHAPTER 1

NATURE AND SCOPE OF THE STUDY

1.1 Introduction

The advent of democracy in South Africa led to an all-inclusive policy on housing which culminated in the drafting of the Department of Housing's White Paper: A New Housing Policy and Strategy for South Africa (SA, 1994).

Prior to this era the South African housing landscape was dominated by apartheid segregation policies which meant that housing for black people was confined to the townships, informal settlements, rural areas and the former TBVC states.¹

Low-cost housing provision has been a major focus of Government in post-apartheid urban South Africa (SA), as the Government attempts to address historical race-based inequalities, poor municipal service provision and contemporary rapid urbanisation (Goebel, 2007: 291).

The White Paper on Housing of 1994 prioritised the needs of the poor, encouraged community participation and the involvement of the private sector, and committed to deliver 1 million houses in five years (Jenkins, 1999:433).

The South African Housing Policy is based on seven key strategies and there is a variety of mechanism aimed at addressing each one of them.

The study will summarise each of the seven key strategies and indicate the mechanism introduced to attain the policy initiative relating to the strategy. Emphasis will then be placed on the 3rd key strategy, which is the focus of discussion.

¹TBVC states are the former homelands of Transkei, Bophuthatswana, Venda and Ciskei who had gained independence from the SA Government.

TABLE 1: The seven key strategies of the South African Housing Policy

STRATEGY	POLICY INITIATIVE	ACTIVITIES
Stabilising the housing environment	Record of understanding Housing Consumers Protection Measures Act	Banking Code of Conduct Mortgage Indemnity Scheme National Home Builders Registration Council Servcon Housing Solutions Masakhane Campaign Thubelisha Homes
Mobilising credit	National Housing Finance Corporation Rural Housing Loan Fund Nurcha Social Housing Foundation	Guarantee Programme Joint Venture Development Fund
Providing subsidy assistance	Housing Subsidy Programme Discount Benefiti Scheme Hostels upgrading programme	Project linked Individual Consolidation Institutional Relocation Rural
Supporting the People's Housing Process		Institutional arrangements Support organisations Funding Decision making Project application process Community workshops Peoples Housing Partnership Trust uTshani Fund

Rationalising institutional capacities	Housing Act, 1997	
Facilitating the speedy release and servicing of land	<p>Development Facilitation Act, 1995 Legislation and policy for release of land</p> <p>Housing and Infrastructure Services Technology choice and infrastructure on site</p>	<p>Land Development Objectives Less Formal Townships Establishment Act, 1991 Provision of Certain Land for Settlement Act Settlement of Land Acquisition Grant Extension of Tenure Security Act, 1997 Communal Property Association Act, 1996 Land Reform (Labour Tenants) Act, 1996 Upgrading of Land Tenure Rights Act (amended 1996) Protection of Illegal Evictions from, and Unlawful Occupation of Land Act, 1998</p> <p>Norms and Standards Environmental Standards Physical or Engineering Standards</p>
Coordinating state and investment in development	<p>Urban Development Framework Rural Development Framework Local Government Transition Act Coordinated Government</p>	<p>Integrated Development Plans Housing Minmec Heads of Housing Committee Budget Management Committee Integrated and Coordinated information systems</p>

(Source: National Housing Code)

From the above table, a brief background will be given of how each of the seven key strategies has been translated into different initiatives to facilitate housing delivery. The study will then focus on one of abovementioned strategies of the South African National Housing Policy; that of providing subsidy assistance to determine its impact on the regeneration of the inner city of Johannesburg.

1.1.1 Strategy One: Stabilising the housing environment

The first strategy was designed to stabilise the housing environment after the period of political instability, including rent and bond boycotts. The Government signed a record of understanding with the banks and the private sector to instill confidence in the markets. The Masakhane Campaign was launched and led by Government. The Housing Consumers Protection Measures Act, 1995, which saw the birth of the National Homebuilders Registration Council (NHBRC), was legislated and the Banking Council formed the Banking Code of conduct to ensure that their members conformed to a banking code of conduct that is fair, non-discriminatory and supported by prudent business practice to ensure its members conduct business in an ethical manner at all times. (Pillay, 2003: 90). Institutions such as Servcon, Thubelisha Home Loans, were formed to implement the programme.

1.1.2 Strategy Two: Mobilising credit

Institutions like the National Housing Finance Corporation (NHFC) Rural Housing Loan Finance (RHLF), and National Urban Reconstruction and Housing Agency (Nurcha) were formed with the intention of mobilising credit. By providing guarantees and sharing risk with the commercial banks, a conducive environment for funding was created

1.1.3 Strategy Three: Providing subsidy assistance

The housing subsidy mechanism was introduced to assist beneficiaries to complete the building of homes on an incremental basis; rent, to buy and participate in tenure options promoted by various subsidies. Each type of subsidy has a specific function in the market. The different types are summarised in table 1.3 below.

1.1.4 Strategy Four: Supporting the People's Housing Process

The People's Housing Process (PHP) assists households to access housing subsidies (consolidation, project-linked, institutional or rural subsidies) with technical, financial, logistical and administrative support to build own homes.

The White Paper on housing acknowledges that at least 70% of South Africa's population cannot afford finance, and that a further 10% - 15% of the population can afford limited finance, most likely from non-traditional lenders.

The National Housing Policy: Supporting the People's Housing Process is therefore aimed at this section of the population.

Beneficiaries are expected to make a compulsory contribution of R2 749 per beneficiary or alternatively, the prospective home owner may contribute in kind, such as working specified hours on the housing project.

1.1.5 Strategy Five: Rationalising institutional capacity

The housing sector was fragmented, inconsistently funded, and lacking in role definition and defined lines of accountability.

The institutional framework, as contained in national housing policy in general and in the Housing Act, 1997 in particular, forms the basis for all activities in the housing sector. It is through institutions that the various policies are translated into realistic plans of action, and that fiscal appropriations are identified, channeled and spent in the housing sector. The strategy to rationalise institutional capacities therefore seeks to create a single and transparent system that operates within the framework of the National Constitution and which incorporates the broad principles of the housing policy (National Housing Code, 2001).

1.1.6 Strategy Six: Facilitating the speedy release of land

Speedy access to land will facilitate housing delivery. Legislation such as the Development Facilitation Act, 1995 to facilitate rapid release of land was passed. It is the responsibility of all spheres of Government to ensure that it happens.

1.1.7 Strategy Seven: Coordinating safe investment in development

As an integrated process, housing delivery requires coordinated and integrated action by a range of players in the public and private sectors. This is the basis for Government's fundamental principle of partnerships. Inadequate coordination and integration of efforts in the past, between the housing function and functions such as education, health services, transport and Local Government, lie at the root of the breakdown in the housing process and barriers to community cohesion in many areas of the country.

The concept of coordinating "state investment" in development seeks to maximise the impact of state investment through careful planning, so that investment in one aspect of development supplements, rather than undermines, another. The Governments' commitment to a housing process that achieves "viable, stable, socially and economically integrated communities" necessitates focused attention to coordination and integration of all Government development initiatives in our country, and not just those in the housing sector. (National Housing Code, 2001).

1.1.7.1 Providing subsidy assistance

Socio-political exclusion in South Africa (Huchzermeyer, 2005: 214) was distinguished by its racial segregation and the rigorous means by which it was legislated. This affected housing and spatial planning. Even if the main apartheid legislation was repealed in 1991, South African Housing Policy - especially the subsidy program for developers, has reinforced existing patterns of segregation.

Huchzermeyer (2005: 214) also asserts that the capital subsidy became the central mechanism in the new Government's housing subsidy scheme. This was mainly driven by the Independent Development Trust (IDT). The project-linked subsidy was the only operational subsidy mechanism. However, it became very clear that the project linked subsidy had limited impact on urban integration (Nuttal 1997, 142) as quoted by Huchzermeyer.

Between 1994 and December 1999, 83% of all approved housing subsidies were project linked (Huchzermeyer, 2005: 214). By late 1999, 1 162 capital subsidy projects were delivered at an average of 800 units per project, totaling 928,000 units (GGCIS 2000) as quoted by Huchzermeyer.

According to the latest statistics from the National Department of Housing, more than 2 million beneficiaries have benefited from the programme since inception.

This type of subsidy presented some interesting challenges for the Department of Housing: some recipients of the fully subsidised units sold their houses to satisfy the need for cash to cover debt (Huchzermeyer, 2005: 214). This led to an amendment to the Housing Act (Republic of South Africa 2001) which prohibited the sale of subsidised houses for the first eight years after possession. Some see this legislation as perpetuating segregation.

A need for policy shifts regarding this programme is inevitable. The peripheralisation of low income housing fosters segregation and in turn, poverty (Huchzermeyer, 2005: 216).

This leads to the questions:

- should subsidies be supply or demand side driven? and
- which form of tenure should be given the highest priority?

The main approach initially used in South Africa is a supply side subsidy for home ownership. This was successful but not the only mechanism required.

A limited number of demand side subsidies were implemented in 1995, the subsidy mechanism known as the institutional subsidy was introduced, which is a promoter of rental housing. Subsidised rental housing which is commonly known as social housing, received increased attention by metropolitan councils. A number of housing institutions were formed in order to access this subsidy and provide subsidised rental accommodation for those earning between R1 500 and R3 000 a month. The subsidy is paid directly to the housing institution for beneficiaries earning between R1 500 and R3 500 a month.

This type of subsidy promoted rental housing and became popular in the inner cities. Derelict buildings were bought and refurbished with the aim of providing subsidised rental housing.

The Provincial Housing Board (PHB) would provide subsidies while the National Housing Finance Corporation (NHFC) would provide wholesale finance for project development.

Can it be assumed that the availability of such subsidies, led to an interest in renovating derelict buildings to become liveable places? It would seem the effect thereof led to efforts to regenerate the cities. This was mainly after the early nineties when inner cities experienced flight by big businesses. White City dwellers also moved out of the inner city suburbs such as Yeoville and Hillbrow.

The following table is an indication of the various types of subsidy mechanisms that were available.

Table 2: Policy intentions of the various subsidy mechanisms

National housing programme	Policy intention
Housing subsidy scheme	To assist persons who cannot independently provide for their own housing needs.
Project-linked subsidy	To assist beneficiaries to acquire ownership of fixed residential properties for the first time and to enable such beneficiaries to buy homes in projects approved by Provincial Housing Development Boards.
Individual subsidy	To assist beneficiaries to acquire ownership of fixed residential properties for the first time, and to enable beneficiaries to buy existing homes or homes in projects not approved by Provincial Housing Development Boards.

Consolidation subsidy	To enable beneficiaries, who have only received serviced sites under the previous dispensation, and who hold ownership rights to such sites, to provide or upgrade a top structure on such site.
Institutional subsidy	To provide subsidised accommodation through institutions, to persons who qualify for individual ownership subsidies, on the basis of secure tenure such as rental, installment sale, share-block, etc.
Relocation assistance	To enable defaulting borrowers of mortgage loans, who were three months in arrears with their installments on 1 August 1997 and whose loans cannot be rehabilitated, to right-size to affordable housing. This forms an integral part of Government's strategy to stabilise the housing environment.
People's Housing Process	To support people who want to build homes to access consolidation, project-linked, institutional and rural housing subsidies as well as other support measures.
Rural subsidy	To enable households who have uncontested informal land rights in respect of state land to access the housing subsidy to provide for housing needs.
Discount Benefit Scheme	To promote home ownership in respect of housing stock that has been created in terms of the previous dispensation.
Hostels Re-development Programme	To create humane living conditions in the public sector hostels.

1.1.7.2 Housing Subsidy Scheme

A person is eligible for a housing subsidy if:

- his or her household income is not more than R3 500 per month;
- he or she is a South African citizen or permanent resident ;
- he or she is legally competent to contract (over 21 years of age and of sound mind);
- he or she is married or co-habiting;
- he or she is single and has dependents;
- he or she is acquiring a home for the first time; and
- he or she has not received a subsidy previously.

1.1.7.3 Inner city regeneration

The inner city of Johannesburg has only just come off the distressed state it had been in, since the late 1980s and 1990s. The CBD was a victim of capital flight and not long ago, investment, mobility, health and safety, and normal business and social interaction were seriously undermined in the Johannesburg inner city.

The numerous interventions by the city of Johannesburg have led to one of the most astounding reversals, in terms of urban regeneration and management.

It started in earnest in mid-1997, when the then Deputy President of South African, Mr. Thabo Mbeki launched a new vision for the inner city of Johannesburg. This vision, "The Golden Heartbeat of Africa" was the product of months of intensive dialogue with the city, Provincial and National Government, business, community and other stakeholders. (City of Johannesburg IDP, revision chapter 9, 2008/09).

Neil Fraser, editor of Chitchat magazine, (as quoted by Davie: 2003) had this to say, "Johannesburg is a classic example of city degeneration". Cities like Washington, New York, and Los Angeles have gone through the same process. New York took 20 years to come out of it. Our problems were however exacerbated by many years of apartheid planning.

Executive Mayor, Mr Amos Masondo, declared inner city regeneration one of six mayoral priorities, resulting in positive changes in the area during the 2000 to 2005 mayoral term; these included establishing Constitution Hill, the Newtown cultural precinct, the fashion district, Metro Mall, Mary Fitzgerald Square, Faraday Taxi Rank, Nelson Mandela Bridge and upgrades in Main Street and Braamfontein.

An Inner City Summit was held on 5 May 2008, bringing together about a thousand stakeholders from businesses, community, parastatals and other spheres of Government. The aim was to find ways to further inner city regeneration.

In terms of cash, the mayoral committee approved a budget of R300 million for inner city regeneration projects in the 2007/08 financial year. An additional R100 million has been ring-fenced in the budget of the Department of Development Planning and Urban Management for control by the inner city regions. In total, about R2 billion will be spent on inner city programmes in the next five years. (www.joburg.org.za).

1.2 Problem statement

Rapid urbanisation and relaxation of segregated housing policies have led to an increasing number of people migrating to the inner cities, resulting in overcrowding and tremendous shortage of inner city accommodation. According to a paper delivered at the first session of the World Urban Forum organised by UN-HABITAT 2000, at the start of the third millennium, 47% of the world's population lived in urban areas.

Within the next two decades, this figure is expected to increase to 56%. Even more challenging is the fact that 98% of the projected global population growth during the next two decades will occur in developing countries. The bulk of this increase (86%) will occur in urban areas. Of the total world's urban population increase, 94% will occur in developing countries.

In the meantime, buildings have depreciated in value and degenerated. The inner city rental accommodation market is characterised by absentee landlords who owe the city council millions of Rand's worth of unpaid utility payments, rates and taxes.

The lack of maintenance of the buildings has resulted in the increasing levels of slums and buildings, unsafe for occupation.

- Is the institutional housing subsidy programme assisting the cities to overcome its accommodation problems and to house the intended beneficiaries?
- Has it been overtaken by efforts to encourage investment in the inner cities, neglecting alternative tenure programmes intended to assist housing the poor?
- Has it led to an increase in the number of people living near workplaces and an increase in the number of derelict buildings being refurbished?
- Has it had the effect of encouraging progress up the housing ladder?; and
- Is rental accommodation still affordable for the low income earner?

This particular study will investigate efforts aimed at the regeneration of the inner city of Johannesburg, with particular focus on whether the institutional subsidy and its aims of creating alternative forms of tenure other than home ownership, is solely responsible for increased programmes aimed at the regeneration of the city of Johannesburg.

The researcher will look at how the institutional subsidy programme has evolved from 1994 to date, and the impact it has had in changing the face of the inner city of Johannesburg.

1.3 Main objective of the study

To determine whether the Government's institutional housing subsidy which mainly promotes and supports rental housing, has resulted in an increase in the number of the urban poor being accommodated in the inner city.

1.3.1 Sub objectives of the study

- To determine the success of the institutional housing programme as a promoter of rental housing in the inner city of Johannesburg for lower income groups;
- To establish if more people have access to accommodation in the inner city;
- To determine if more people in the inner city now live near places of work;

- To determine if the initial beneficiaries of the programme have upgraded to other types of accommodation;
- To determine if rental accommodation is affordable in the inner city;
- To determine if the beneficiaries of the programme have experienced an improvement in quality of life;
- To determine whether the demographic variables influence the choice of inner city accommodation;
- To determine whether the inner city poor are displaced;
- To determine the successes of the inner city regeneration programme of the city of Johannesburg;
- To determine the extent to which introduction of urban development zone tax incentive has accelerated investment in the inner city; and
- To determine the extent to which the prospects of Johannesburg being a host city for the 2010 World Cup has accelerated investment in the inner city.

1.4 Scope of the study

The study focuses on the inner city of Johannesburg. The respondents are beneficiaries of the institutional subsidy program of the National Department of Housing. The beneficiaries stay in the housing institutions formed for this particular programme. The advantage is that respondents will be easily accessible and have the characteristics that will facilitate reaching the desired outcomes.

1.5 Research methodology

The researcher used a quantitative research method for this study as it was deemed suitable for this type of research. More specifically, a survey method was chosen where a questionnaire had been designed to illicit the particular information from respondents. Scaled response questions, in particular Likert-type scale questions (Struwig & Stead, 94: 2004) and dichotomous questions were chosen for the purposes of this particular study. The questionnaire was distributed among tenants and a prior arrangement for access to the estate was made with the house manager.

1.6 Limitation of the study

The study is limited to determining the success of the institutional subsidy as a promoter of inner city rental housing resulting in the regeneration of the inner city of Johannesburg. The study was conducted mainly among tenants of a housing institution that participated in the institutional subsidy programme. The particular housing institution involved in this research study is the Madulammoho Housing Association. The other housing association approached for participation in the research, would not grant permission to have tenants interviewed. Other participants of the subsidy programme were involved in a legal battle with the Department of Housing at the time of the research and would therefore not have been unbiased participants in such a study, hence the researcher's decision that their participation would not be beneficial for purposes of this study.

1.7 Layout of the study

CHAPTER 1: INTRODUCTION

The purpose of Chapter 1 is to introduce the reader to the objectives of the study, the problem statement and to introduce the area of study: Impact of the institutional subsidy on the regeneration of the city of Johannesburg.

CHAPTER 2: LITERATURE STUDY

Chapter 2 provides a literature study on the background information for this study, the state of inner city housing from 1994 to date as well as efforts aimed at regeneration of the inner city of Johannesburg.

CHAPTER 3: EMPIRICAL STUDY

Chapter 3 covers an empirical study undertaken, including data gathered from questionnaires distributed to the beneficiaries of the programme.

CHAPTER 4: CONCLUSIONS AND RECOMMENDATIONS

Chapter 4 will draw conclusions from the study and make recommendations for any future research.

CHAPTER 2

LITERATURE REVIEW

2.1 Introduction

The first part of this chapter introduces important concepts relevant to the study. The definitions are important in order to ensure understanding in the context of the study.

The second part of the chapter give the theoretical focus of the study in the form of a literature review on the institutional subsidy programme in South Africa and the regeneration of inner city of Johannesburg.

2.2 Definition of Terms

2.2.1 Housing subsidy

A Government housing subsidy is a grant by Government to qualifying beneficiaries for housing purposes. The grant is not paid in cash to beneficiaries but either paid to a seller of a house, or in new developments, is used to construct a house that complies with the minimum technical, environmental norms and standards. It is then transferred to the qualifying beneficiary (www.housing.gov.za).

2.2.2 The institutional subsidy

According to the National Housing Code, 2001 the institutional subsidy is available to qualifying housing institutions to enable them to create affordable housing stock for persons who qualify for subsidies. The housing subsidy mechanism provides R41 027,00 to qualifying beneficiaries whose monthly income may not exceed R3 500. The subsidy is paid to approved institutions to provide subsidised housing on deed of sale, rental or rent-to-buy options, on condition that the beneficiaries may not be compelled to pay the full purchase price and take transfer within the first four years of receipt of the subsidy. The approved institutions must invest capital in the projects from own resources.

The Banking Association of South Africa asserts that the institutional housing subsidy is directed at the establishment of social housing. The subsidy is paid directly to the newly created Social Housing Institution which rents the housing unit to the household through the use of a variety of rental agreements.

This mechanism is targeted at housing institutions that provide tenure arrangements alternative to immediate ownership (such as rental, instalment sale, and share block or cooperative tenure) to subsidy beneficiaries (www.housing.gov.za).

The housing institutions mentioned above have to be accredited as such by the Social Housing Registrar.

According to the National Housing Department the Social Housing Programme seeks to provide rental or cooperative housing option for low income persons. The level of scale and built form requires institutional management which is to be provided by accredited Social Housing Institutions and in designated restructuring zones (www.housing.gov.za).

Approved Social Housing Institutions within the inner city of Johannesburg include the following:

- Johannesburg Housing Company (JHC);
- Johannesburg Social Housing Company (JOSHCO); and
- Madulammoho Housing Association (MHA).

Later in the study an indication of the number of units that each one is managing will be reflected to give a general idea of the impact of the institutional subsidy in the inner city.

Table 3: The South African Housing Subsidy quantum

Individual and Project Linked Subsidies	Top Structure Funding only	Own Contribution	Product Price
R0 - R1 500	R43 506.00	None	R43 506.00
R1 501 - R3 500	R41 027.00	R2 479,00	R43 506.00
Indigent: Aged, Disabled and Health Stricken R0 - R3 500	R43 506.00	None	R43 506.00
Institutional Subsidies			
R0 - R3 500	R41 027.00	Institution must add Capital	At least R43 506.00
Consolidation Subsidies			
R0 - R1 500	R43 506.00	None	R43 506.00
R1 501 - R3 500	R41 027.00	R2 479,00	R43 506.00
Indigent: Aged, Disabled and Health Stricken R0 – R3 500	R43 506.00	None	R43 506.00
Rural Subsidies			
R0 - R3 500	R43 506.00	None	R43 506.00
People's Housing Process R0 - R3 500	R43 506.00	None	R43 506.00

2.2.3 Inner city regeneration

There is no single definition term for the inner city regeneration. However, practitioners have come up with varying definitions of this phenomenon. Different parts of the world use terms like urban renewal, urban regeneration, urban revitalisation, and urban upgrade, interchangeably, depending on the area. The word urban in the South African context will be replaced with inner city. However, the latest term in urban management is “New Urbanism”.

According to Macmillan English dictionary, the word regenerate means ‘to develop something again or bring it back to its original state’; inner city regeneration therefore means redeveloping the inner cities or bringing them back to original state.

Urban regeneration is a comprehensive and integrated vision and action which leads to the resolution of urban problems and which seeks to bring about a lasting improvement in economic, physical, social and environmental condition of an area that has been subject to change (Roberts and Sykes, 2000:17).

The Macmillan English dictionary defines urban renewal as ‘the process of making areas of a city more attractive and rich by creating new buildings and parks, more business activity’.

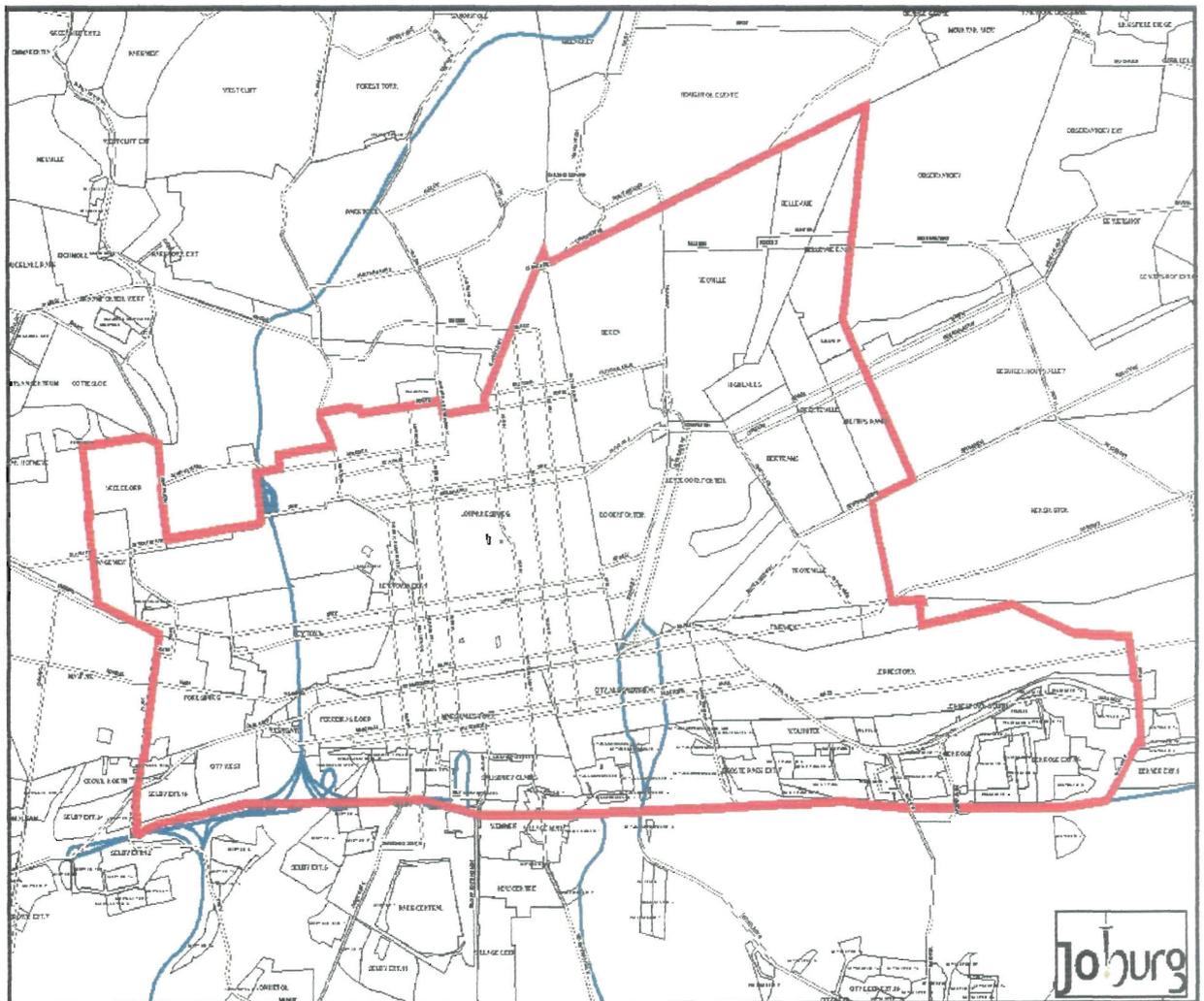
In his work, J Ralekgetho has used the web glossary’s meaning of the concept ‘urban renewal’. According to the web glossary 2003 urban renewal is “the planned upgrading of a deteriorating urban area, involving rebuilding, renovating, or restoration’. It frequently refers to programmes of major demolition and rebuilding of blighted areas.

According to the Google web definition, urban renewal is the process of acquiring and redeveloping property for the purposes of increasing its profitability or utility either conducted by Government, private interests or a combination of the two (web glossary 2003).

2.2.3.1 Geographic demarcation of the inner city of Johannesburg

It comprises the Central Business District; the office satellite centre of Braamfontein; the lower density, predominantly residential suburbs of Yeoville, Bertrams, Troyeville and Jeppestown; the higher density residential areas of Berea and Hillbrow; City Deep; and with Newtown, Fordsburg, Pageview and Vrededorp to the west. This region which mostly includes the inner city contributes up to 23% of the city's revenue or gross geographic product (Inner City Regeneration Strategy Business Plan 2004-2007).

Map 1: Map of the inner city of Johannesburg



2.2.3.2 Overview of the decay of the inner city of Johannesburg

The city of Johannesburg like other large metropolitan areas was a victim of capital flight of the 1980s and 1990s when there was an exodus of business investment to decentralised nodes like Sandton and Rosebank. The central business district fell into disrepair. Top landmarks like the Carlton hotel and Johannesburg Sun hotel closed down as a result of this, and fewer visitors and shoppers in the inner city was a daily occurrence (www.joburg.org.za).

The former middle class suburbs of Yeoville whose white inhabitants were distinguished by a liberal mentality, experienced an influx of non-whites or mixed race couples, though illegal, until the repeal of the Group Areas Act, Act No. 36 of 1966, this was initially considered an enrichment of the local culture and was explicitly welcomed (Jurgens *et al.* 2003:61). The result was a decrease of the white population and the occupation by non-whites of the growing number of centrally located vacant housing units. Yeoville, together with other densely populated grey areas like Hillbrow and Berea, degenerated due to overcrowding and lack of infrastructure. Landlords who previously maintained buildings, wanting to make a quick buck and spend less on building maintenance, experienced increasing non-payment for rented accommodation and eventually non-maintenance took its toll on the buildings.

The same buildings were hijacked by illegal occupants who took over from the absentee landlords, by collecting rentals but never paying it over to the city for services and inner city regeneration (www.joburg.org.za).

2.2.3.3 Demographics

The city of Johannesburg inner city regeneration business plan states that the inner city has 217 000 residents in 37 000 dwelling units. Some 800 000 commuters enter the city every day, and 300 000 - 400 000 migrant shoppers visit the city each year. The city has 7 million m² of floor space and 3 million m² of office space. The office buildings represent a R19 billion investment, and the housing a R1.2 billion capital investment.

An October 2003 survey by Trafalgar Property Management and Financial Services provided these statistics about inner city residents:

- Not all of them are poor: 12% earn more than R15 000 per month and 79% earn more than R1 500 per month;
- Many are well educated: 19% have university educations, and 35% have technician diplomas;
- 90% have cell phones, and 44 percent use e-mail;
- 31% have cars, 74% use minibus taxis as sole form of transport, and 32% use municipal buses ; and
- Reasons given for choosing the inner city, included affordability (22%), proximity to work (11%) and proximity to schools (11%).

2.2.3.4 The Strategy for the inner city regeneration

In 2004 the city of Johannesburg Metropolitan Council developed the first business plan for the inner city regeneration strategy. The aim was to co-ordinate the efforts of all agencies of the city of Johannesburg towards a comprehensive inner city regeneration strategy. The business plan covers the period, 1 July 2004 to 30 June 2007.

The main objective of the inner city regeneration strategy is to raise and sustain private sector investment, leading to rising property values.

2.2.3.5 The five pillars of the strategy

Intensive urban management, including improvement to service quality, strict enforcement of by-laws, management of taxis and informal traders and sound credit control.

- Upgrading and maintenance of infrastructure to create attractive environments to both residents and business;
- Support for those economic sectors that have a potential to thrive in the inner city and encourage growth in these sectors;

- Discouraging sinkholes, meaning properties that are abandoned, overcrowded, poorly maintained and which in turn pull down the value of the entire city blocks by discouraging investment ; and
- Encouraging ripple effect investments that can lift an entire area.

The city of Johannesburg has prioritized inner city regeneration to an extent that this was made one of the 6 mayoral priorities (Inner City Regeneration Charter, 2007). Several agencies have been set up to spearhead various aspects of the regeneration of the inner city. The Johannesburg Development Agency has been charged with implementation of the city's development projects. A task force has also been set up.

2.2.3.6 The Better Buildings Programme (BBP)

This is another programme that forms one of the Johannesburg Metropolitan Council's inner city regeneration efforts.

It is aimed at attracting private sector investment to refurbish buildings which were poorly managed and insufficiently maintained. Buildings are upgraded and rented out at an affordable rental. According to the Johannesburg city website, the revival of the Johannesburg inner city has seen an escalation in the value of property, making it more difficult for Government and non profit organizations to provide much needed social housing for low income earners.

Thus far, the Better Buildings Programme (BBP) has identified more than 100 buildings for refurbishment.

2.2.3.6.1 Characteristics of Better Buildings

- Owners owe large amounts of arrears;
- Owners have abandoned the buildings;
- The buildings are overcrowded, derelict and in a deplorable state;
- Invasion of buildings by illegal squatters ;and
- Use of buildings for criminal activities.

The better buildings programme involves firstly identifying and prioritising buildings for the programme. Once a building has been identified, the BBP liaises with the revenue collection offices of the city of Johannesburg, to obtain official agreement-in-principle to write-off old debts. After successful conclusion of an agreement with an investor, the write-off paves the way for a rates clearance certificate to be issued thereby ensuring transfer of property (www.joburg.org.za).

2.2.3.6.2 The BBP mission

To transform the buildings to a state where:

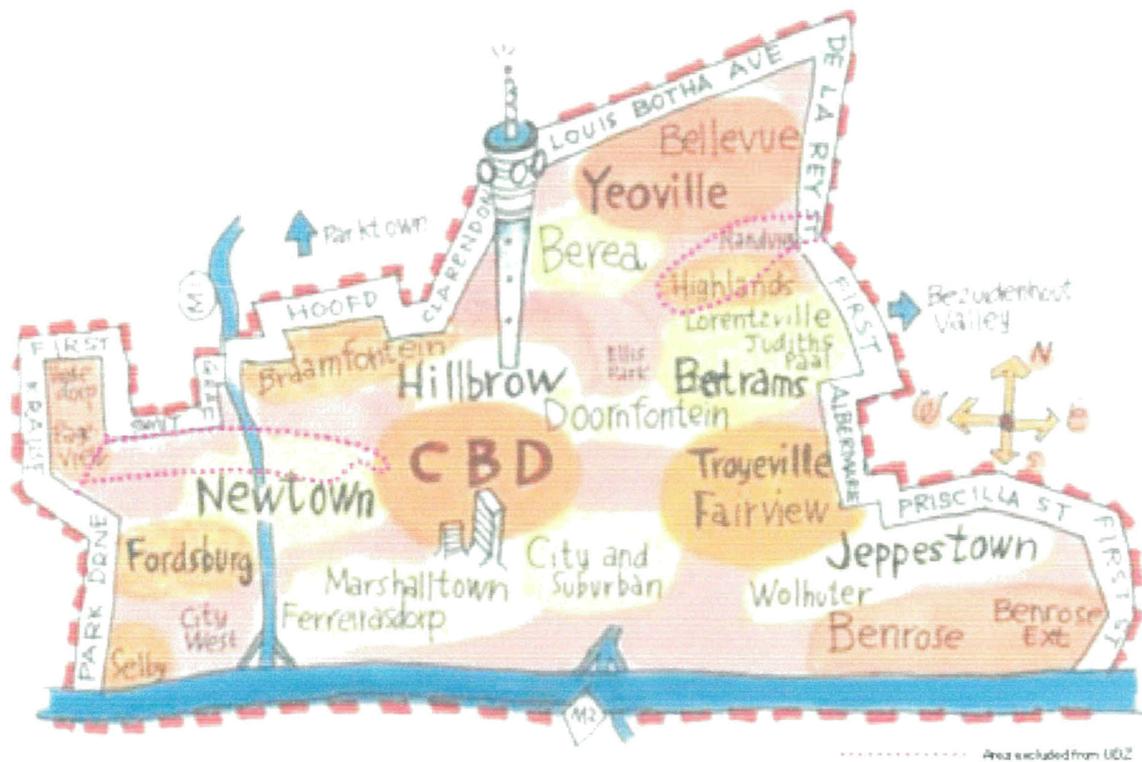
- The buildings are renovated, well maintained and properly tenanted;
- There is responsible ownership and management with a long term commitment to maintaining acceptable standards;
- Council charges are paid;
- By-laws are obeyed;
- There is a knock-on effect of areas surrounding the “better buildings” being improved, facilitating long term sustainable regeneration;
- Overall social and business confidence in the area restored;
- The value of the properties in the area increases; and
- Market forces ensure these properties and areas become sought-after investment opportunities, both residential and commercial.

2.3 Urban Development Zones

The Urban Development Zone (UDZ) – according to the Revenue Laws Amendment Act, No. 45 of 2003 means an area demarcated by a municipality in terms of subsection (6).

The UDZ tax incentive is an incentive scheme aimed at encouraging inner city renewal across South Africa. Any taxpaying, property owning, individual or entity may claim the tax benefits of the UDZ incentive. The incentive takes the form of a tax allowance covering an accelerated depreciation of investment made in either refurbishment of existing property or the creation of new developments within the inner city, over a period of five, or 17 years, respectively. (www.joburg.org.za).

Map 2: Urban Development Zone of Johannesburg



Source : www.joburg.org.za)

2.3.1 UDZ Tax incentive applicability

The UDZ tax incentive comes in the form of an accelerated depreciation deducted from the UDZ eligible taxpayer's taxable income, thus reducing the taxpayer's payable tax. The deduction is applicable in respect of:

- Erection, extension or improvement of or addition to an entire building;
- Erection, extension, improvement or addition of part of a building representing a floor area of at least 1 000 m²;

- The purchase of such a building or part of a building directly from a developer on or after 8 November 2005, subject to the requirements that: the developer has erected, extended, added to or improved the building or part of the building representing a floor area of at least 1 000 m²;
- The developer has not claimed any UDZ allowance in respect of the building or that part of the building; and
- In the case of the improvement of a building or part of a building, the developer has incurred expenditure in respect of these improvements equal to at least 20% of the purchase price paid by the first purchaser in respect of the building or part of the building.

This incentive scheme has encouraged a large number of private investors to buy derelict buildings. The private investor would refurbish the building for rental purposes. It was found that the target market was generally middle to higher income groups. The scheme contributes to attainment of objectives of the regeneration strategy but does not necessarily assist in providing rental accommodation to the lower income groups.

2.4 The state of inner city housing from 1994 to 2004

The Premier of Gauteng's state of the province address, 2007, recognised the continued migration into Gauteng. The 2007 community survey showed that Gauteng had the highest population in the country at about 10,451 million.

Research has shown that most of the locals, migrants and immigrants still live in the inner city in unhealthy and dangerously decayed buildings. The city has been unsuccessfully trying to deal with the problem.

The centre for housing rights and evictions in a report titled, "Any room for the poor", states that about 18 000 households live in the so-called bad buildings because of non availability of decent low cost housing.

The report profiles the occupants of these buildings as the poorest and most vulnerable residents in the inner city. Many are employed in poorly paid jobs, either in the formal or subsistence earners in the informal sector. The occupants live in poor conditions, not by choice, but because nothing else is available.

Neil Fraser, (Citichat 2008/06) believes that evictions are not the answer. However, the solution requires a balanced approach, some sensitivity and a concrete plan. Housing the urban poor remains one of the greatest challenges faced by the inner city despite the regeneration efforts.

In Johannesburg, migrants and immigrants find accommodation in a variety of forms: shared rooms in hostels, rooms in existing flats in the inner city, residential, office and industrial buildings converted either legally or illegally into rooms with shared facilities, rooms in transitional and communal housing projects developed by NGOs and charity organizations, private houses converted into rooming establishments, former domestic rooms in the suburbs, backyard rooms and shacks in townships, shacks in squatter settlements, and temporary 'rooms' constructed daily by people living on the streets. (www.Joburg-.archive.co.za/corporate-planning/migrants.pdf).

The city faces a dilemma in housing improvement. Many of the alternative forms of accommodation could be made more acceptable with small improvements, thus improving the quality of living for tenants. However, improvements are followed by increased rents, which lead to the displacement of the poorest. Private or publicly funded improvements to rented accommodation automatically exclude the lower income groups, who cannot afford to pay more for upgraded accommodation. The upgrade of the inner cities has presented a new challenge, that of excluding the beneficiaries it intended to benefit. (Migrants in the City of Johannesburg, 2004).

The subsidy mechanism as one of the seven key strategies of the Department of Housing's methods of assisting the disadvantaged to gain access to housing is expected to have played a major role in promoting inner city rental housing. According to the city of Johannesburg website the first institutional subsidies were granted by the Gauteng Provincial Government in 1996 to a project in the inner city, better known as the Seven Buildings. Subsidies worth R3, 6m were granted to tenants of the Seven Buildings with the aim of assisting with the purchase of own buildings. Top-up finance was sought from Inner City Upgrading Trust (ICHUT), an inner city developmental finance institution that was financing inner city projects.

The first few years all went well with tenants, having formed a management committee, rentals being properly paid and the proceeds thereof being used to repay the loan, and the excess paying for utilities and services such as cleaning and maintenance.

By 1999 the whole governance of the Seven Buildings collapsed after tenants refused to pay increased rentals after allegations that directors were using surplus to finance lavish lifestyles. Eventually the buildings started regenerating and formed part of the urban decay and slum lords took over the buildings. The Seven Buildings were eventually liquidated in 2000 and the buildings sold to private investors.

2.4.1 Rental housing for the poor

About 1, 8 million South African households in the middle-to-lower-income groups live in rented accommodation, as opposed to about 5, 2 million households that own property. At national level, 45% of households earn between R0 and R800 per month, while 45% of households at metropolitan level fall within the R801 to R3 200 income bracket.

Nationally, 71.14% of households rent accommodation, and 71.76% of people renting in metropolitan areas live in formal structures. Black households comprise the largest percentage of renters, followed by coloured households.

The demand for rental housing nationally is expected to increase substantially in the middle-to lower-income groups (source: National Department of Housing).

2.4.2 Delivery of rental housing opportunities via the institutional subsidy programme

The institutional housing model is mainly used to promote rental housing for those people who do not want, or cannot own homes for a variety of reasons. After the demise of the Seven Buildings, the Gauteng provincial Government continued providing subsidies to other established social housing institutions within the city.

This subsidy mechanism is an excellent promoter of inner city regeneration in that institutions are able to buy derelict buildings and refurbish them. Office blocks can be converted into living apartments. This leads to a decline in decay, and creates safe and liveable neighbourhoods. It promotes safety and leads to reduction in crime.

The main aim of inner city regeneration is to reclaim the cities and turn them into world-class cities that will contribute to economic success, while at the same time allowing people to live near places of work (www.joburg.org.za).

However, there is a need to assess progress of these programmes in order to determine if the institutional subsidy mechanism brought about successes or whether there are other factors that might have contributed to the successes. This is the only subsidy that allows an individual to re-apply for another subsidy, purely because it is attached to the property and not an individual and is mainly used for rental purposes.

The question is: do the inner city residents experience 'movement along the housing ladder', meaning that it is possible that those who entered the subsidy market in 1994 earning R1 500 - R3 500, have probably had salary increments which may have excluded them from the subsidy market. The possibility is that they may have moved elsewhere in the inner city where rentals are higher or unsubsidized, or decided on buying own homes via the individual subsidy mechanism, which benefits those earning up to R7 000, obtainable from the banks. If this is not happening, it means the entry level inner city residents are excluded from benefitting from opportunities available, unless new units are developed.

The study has not been able to determine this, due to the limited number of housing institutions participating in the study.

The review on the 'performance on housing delivery' report by the Gauteng Provincial Housing Department, released in August 2008 indicates the following:

Gauteng Provincial Government has, for the period from 1994 to 2003, offered more than 500 000 housing opportunities. It is acknowledged that the needs of the lower middle income group have largely been neglected, with more emphasis on the lower end of the market, i.e. those within the institutional housing bands. However, has enough been done? There seems to be a higher demand than availability of subsidised inner city accommodation.

2.4.3 Examples of institutions that have participated in the institutional subsidy

- Johannesburg Housing Company;
- Cope Housing Association (now defunct);
- Johannesburg Social Housing Company; and
- Madulammoho Housing Association.

These institutions jointly manage more than 10 000 units in the inner city.

2.4.4 Does the city have a concrete plan for housing the poor?

According to the city of Johannesburg's official website, the greatest challenge the city is facing is providing accommodation to inner city dwellers, most of whom are poor. Efforts aimed at regenerating the city and providing housing for the inner city dwellers might have the opposite effect. The effect is known as gentrification, which is the process of renewal and rebuilding accompanying the influx of middle-class or affluent people into deteriorating areas that often displaces poorer residents (Atkinson & Bridge, 2007: 18).

Groebel asserts that low-cost housing provision has been a major focus of Government in post-apartheid urban South Africa, as the Government attempts to address historical race-based inequalities, poor municipal service provision and contemporary rapid urbanization.

2.4.5 Inner city housing from 2004 to date

The Gauteng Provincial Housing department has developed and implemented an inner city regeneration programme. Housing plays an important role in a range of urban renewal interventions focused on urban centres and exclusion areas such as inner cities and historical townships.

Through it, the acquisition, rehabilitation and conversion of vacant office blocks and other vacant/dilapidated buildings for use in housing delivery has been made possible as part of a broader urban renewal strategy. By this approach the Government is promoting rental and rent-to-buy housing options. This housing intervention has contributed much to both urban renewal and integration.

An inner city housing plan released in 2007, will ensure at least 50 000 new residential units by 2015; the first phase of this plan was released in August 2008 and an operational plan was supposed to have been in place by December 2008. Financial and institutional arrangements would have been established by March 2008.

Inclusionary housing - providing housing across income groups in all new housing developments - is strongly supported by the city, which will put in place South Africa's largest inclusionary housing programme in the inner city. About 20 000 of the promised new residential units will be available in the area.

In addition, systems and structures to support private sector proposals for the plan would have been in place by January 2008.

Part of the commitment to accelerate housing delivery will be the issuing all clearance certificates within three months. The 40% rates rebate on buildings of which at least 80% is reserved for residential use, will continue to apply.

The shortage of temporary accommodation is acknowledged in the inner city charter (2007) and Johannesburg aimed to have at least 500 emergency beds available by July 2008 and another 800 to 1 000 beds would have been available by June 2008.

Between 10 and 15 buildings will be made available for social housing over the next three financial years.

(http://www.joburg-archive.co.za/2007/pdfs/inner_city_regeneration_charter.pdf)

An extensive social package will also be introduced in the 2007/08 tariff reviews, becoming effective in July 2008. Other housing initiatives will look at hostel upgrades, promotion of ownership and sectional title options, and supporting city improvement districts.

CHAPTER 3

EMPIRICAL STUDY AND RESULTS

3.1 Introduction

The previous chapter focused on the historical background of the city of Johannesburg regeneration problems and the impact that the institutional housing subsidy had in terms of translating into housing opportunities. This chapter will introduce how the research for the study was designed, about the questionnaire or measuring instrument, and procedure used to collect data and the results of the research will be presented.

3.2 Research Design

The study was conducted using a survey method. A survey method is a method of collecting information from people about feelings, beliefs, opinions and attitudes through questionnaires and interviews (Lemon, 1973: 55).

According to (Leedy, 1997:191), a questionnaire is one of the best tools to probe data beyond physical reach of the observer. It is impersonal and often self-administered and completed relatively anonymously. It is able to provide data which lies deep within minds, attitudes, feelings or reactions of respondents.

3.2.1 The advantages of using the survey method for the present study were as follows:

- Of the 60 questionnaires distributed, the responses to 30 of these were obtained via personal interviews by the researcher and 2 trained field workers. The response rate was therefore 50%.
- The fieldworkers and researcher could listen attentively and provide clarity where perhaps there could be a misunderstanding of the questionnaire due to language issues or any other matter.

3.2.2 The limitation of the survey method used was as follows:

The response rate was only 50% which was below expectations since the researcher and her team physically conducted the interviews.

The rest of the respondents did not accede to being interviewed, with the house manager, stating that the respondents have recently participated in a similar study for the Gauteng Provincial Government, therefore were not pleased with another survey so soon thereafter.

3.3 Sample design

The aim of the study was to measure the impact of the Institutional subsidy on the regeneration of the inner city of Johannesburg. A non probability sample of tenants of Madulammoho Housing Association, beneficiaries of the subsidy scheme, was selected using a technique called purposeful sampling (Struwig and Stead, 2004:122). This indicated that purposeful sampling is not concerned as much with random sampling as it is with providing a sample of information-rich participants. In other words, the participants reveal certain characteristics that interest the researcher.

About 60 questionnaires were sent to the establishment and an arrangement made with the house manager prior to the researcher's team going in, to distribute among those willing to participate in the interview.

3.3.1 Sample selection

The sample was drawn from a housing association that was a participant in the institutional housing subsidy scheme. The name of the institution is Madulammoho Housing Association. It is one of the four participant housing institutions in the city of Johannesburg. The initial intention was to select participants from all four institutions, but limitations already mentioned in the study resulted in the researcher relying on one. The characteristics of the sample, especially income levels, rentals are mostly qualifying criteria for a housing subsidy mentioned in the introduction to the study.

3.3.2 Respondents

The respondents were male and female tenants of the housing institution that participated in the institutional subsidy scheme. About 60 questionnaires were sent to the housing institution and only 30 tenants agreed to participate. Therefore, response rate was 50%.

3.3.3 Measuring instrument: Questionnaire

A questionnaire was compiled and used to collect data. A copy of the questionnaire is presented in appendix A.

3.3.4 Data collection

Letters regarding permission to conduct the study were sent to Madulammoho Housing Association which participates in the institutional subsidy programme. An arrangement was made with the House Manager to assist us in securing interviews with willing participants. The researcher and her team went on to conduct interviews within a period of 24 hours. The initial intention was to conduct these within 48 hours but due to the non participation factor, this could be done within a shorter period of time.

3.4 Research results

Section A: Demographic Information

3.4.1 Response rate

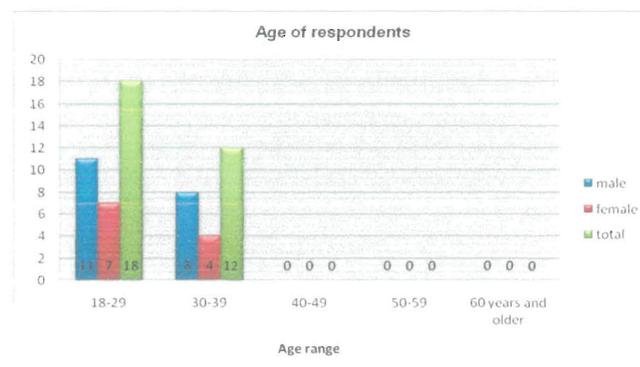
Out of the 60 questionnaires distributed, only 30 were returned yielding a response rate of 50%. All respondents were black Africans.

Figure 3.1: Gender of Respondents



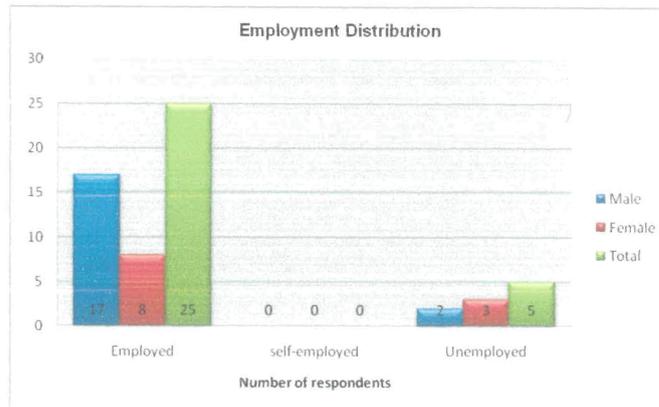
Of the total number of 30 respondents, 19 (63.3%) were male and 11 (36.7%) were female. There are more male tenants than female tenants in the Housing Association.

Figure 3.2: Age of respondents



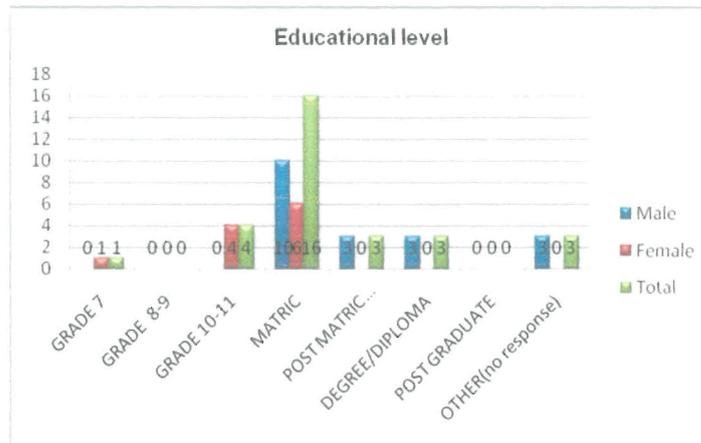
About 18 of the respondents (60%) are younger than 30 years of age whereas 12 (40%) are older than 30 years of age but less than 40 years. Interestingly, none of the respondents were above 40 years old. The respondents are relatively young.

Figure 3.3: Employment distribution



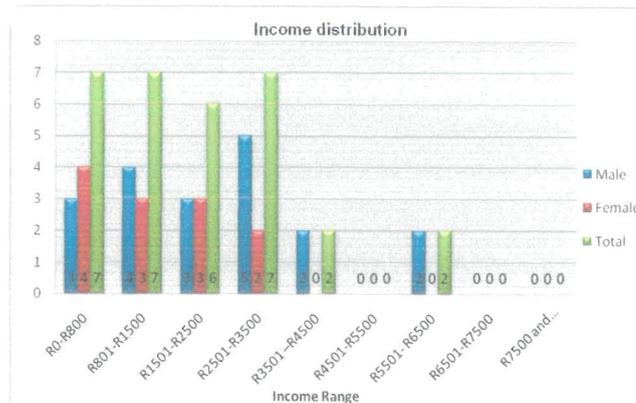
About 25 of the respondents (83.3%) are in formal employment while 5 (16.6%) are unemployed.

Figure 3.4: Highest Educational Level



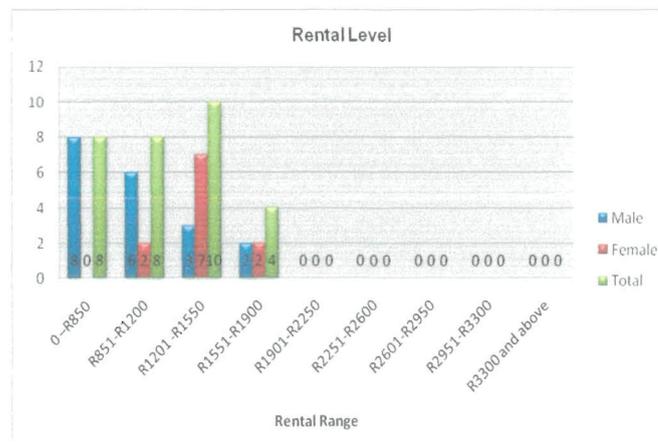
About 27 of the respondents (90%) have some level of education. About 16 of those (53.3%) represent the male members of this group and 11 of those (36.7%) represent female members of the group; 1 female member (3.33%) has an education level of less than grade 7. About 3 of the respondents (10%) have a post matric certificate. Another 3 respondents (10%) have a degree or diploma. About 3 of the respondents (10%) did not respond. The highest level of education for the majority is matric, with male members of the institution having higher levels of education than females.

Figure 3.5: Income Levels of Respondents



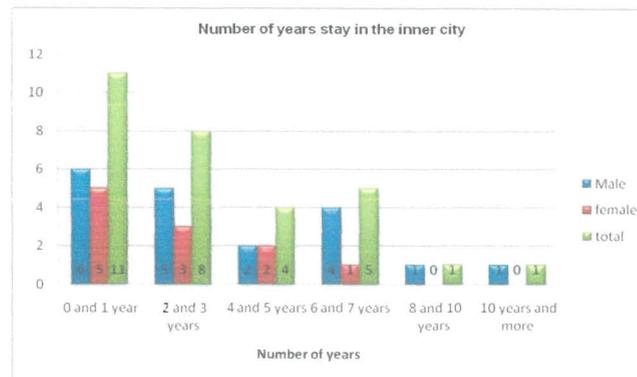
About 7 respondents (23.3%) earn between 0 and R850, while another 7 (23.3%) earn between R851 and R1,550. Some 6 respondents (20%) earn between R1,501 and R2,500. Another 7 (23.3%) earn between R2,501 and R3,500. Another 2 (6%) earn between R3,501 and R4,500 and a further 6% being 2 earn between R5,501 and R6,500. No respondent earns above R6,500.

Figure 3.6: Rental levels



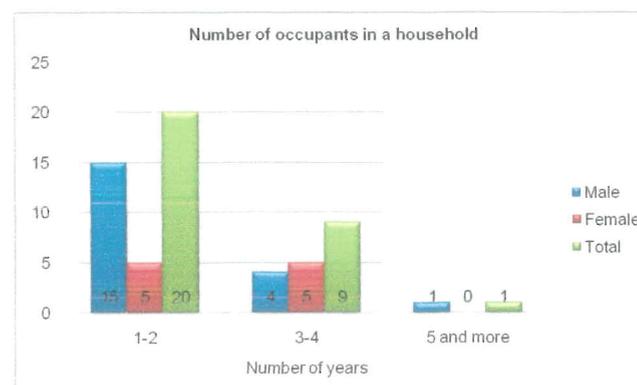
About 8 respondents (26.7%) pay rental of between 0 and R850 while another 8 (26.7%) pay between R851 and R1,200. About 10 (33.3%) pay between 1201 and R1,550 per month with 4 respondents (13.3%) paying between R1,551 and R1,900. No respondents are paying more than R1,900.

Figure 3.7: Length of stay in the inner city



About 11 respondents (36.6 %) have lived in the inner city for a period of between 0 and 1 year, while 8 (26.6%) have lived in the inner city for a period of between 2 and 3 years. About 4 (13.3%) of the respondents have lived in the inner city for a period of between 4 and 5 years, while about 5 (16.6 %) have lived in the inner city for a period of between 6 and 7 years. Only 1 respondent in each instance (3%) have lived in the inner city for between 8 and 10 years and more than 10 years respectively.

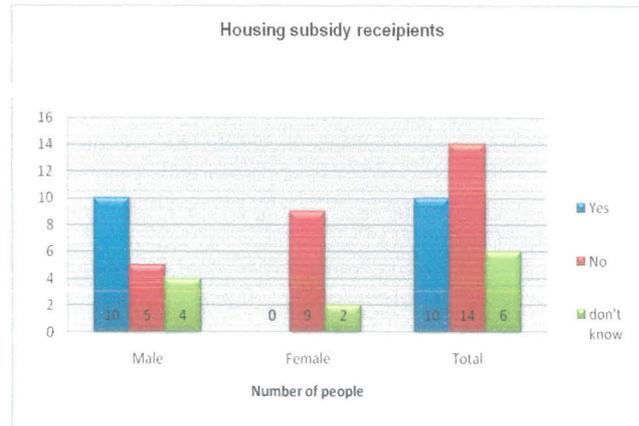
Figure 3.8: Number of occupants per household



About 20 respondents (66.7%) either occupy the unit alone or share with another roommate. While 9 (30%) of the respondents have between 3 and 4 people occupying the unit. Only 1 respondent (3.33%) had five members of the family staying with them and they were indicating that they are relocating to another establishment.

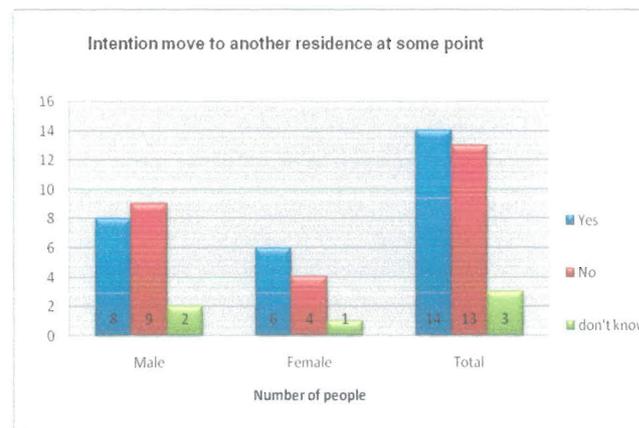
Section B: Dichotomous questions

Figure 3.9: Housing subsidy recipients



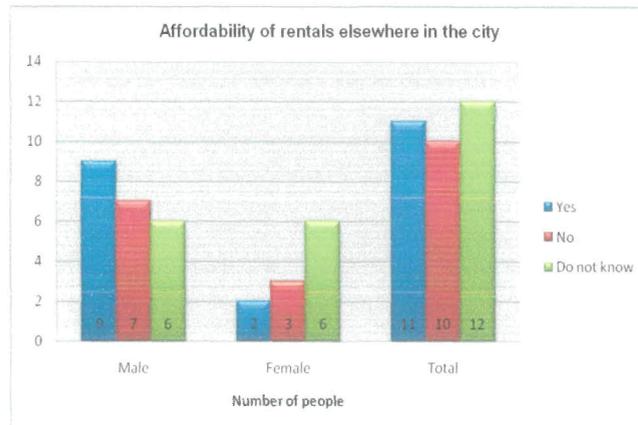
About 33.3% of the respondents agree that they received a housing subsidy while about 46.6% of the respondents say they never received a subsidy. About 20% did not know.

Figure 3.10: Intention to change residence



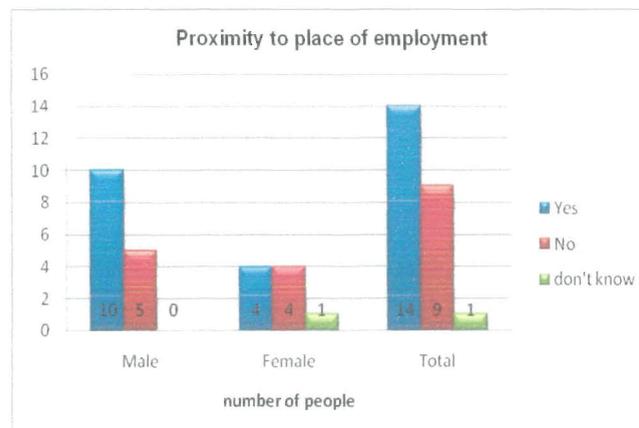
About 8 respondents (46.6%) would like to move to another residence in the near future while another 46.6% said they do not want to move. About 0.06% did not know whether they would like to do so or not.

Figure 3.11: Affordability of rentals after moving elsewhere in the inner city



About 11 of the respondents (36.6%) believe that they can afford the rentals should they move elsewhere in the inner city. While 10 of the respondents (33.3%) believe they will not afford the rentals while another 12 (40%) did not know.

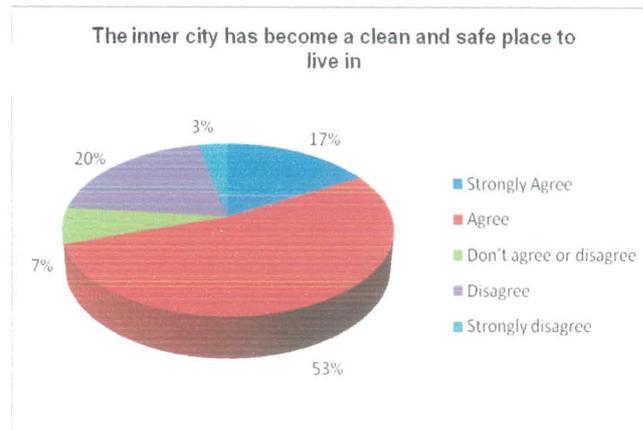
Figure 3.12: Proximity to place of employment



About 14 respondents (46.7) % of the respondents affirm that they are staying in close proximity to places of employment. While 9 respondents (30%) do not stay close to places of employment and 1 respondent (3%) did not know. About 6 (20%) of the respondents did not respond however this is due to the unemployment factor. About 5 (16.6%) are unemployed. Only 1 respondent chose not to respond

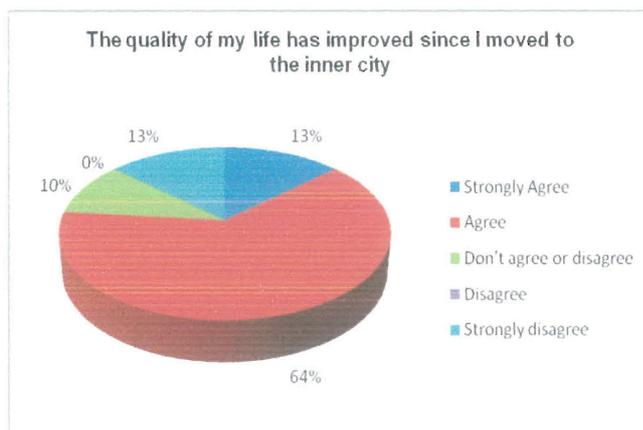
SECTION C: Likert Type questions

Figure 3.13: Safety and cleanliness in the inner city



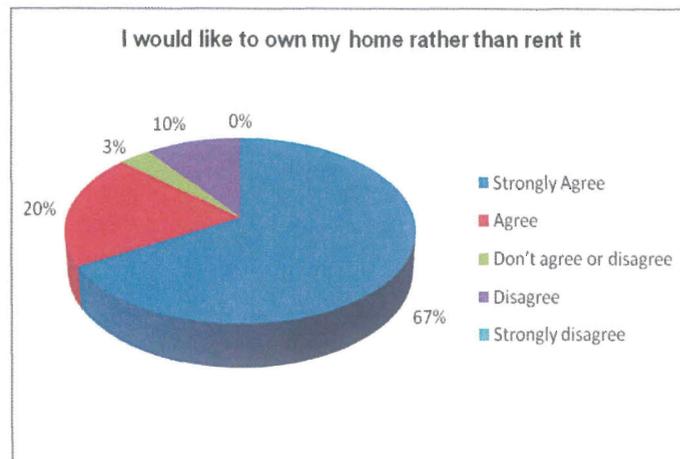
About 17% of the respondents strongly agree that the inner city has become a clean and safe place to live in. While about 53% agree. About 7% are undecided, while 20% disagree and 3% strongly disagree. Overall the majority of the respondents about 70% agree with the statement.

Figure 3.14: Improvement in the quality of life



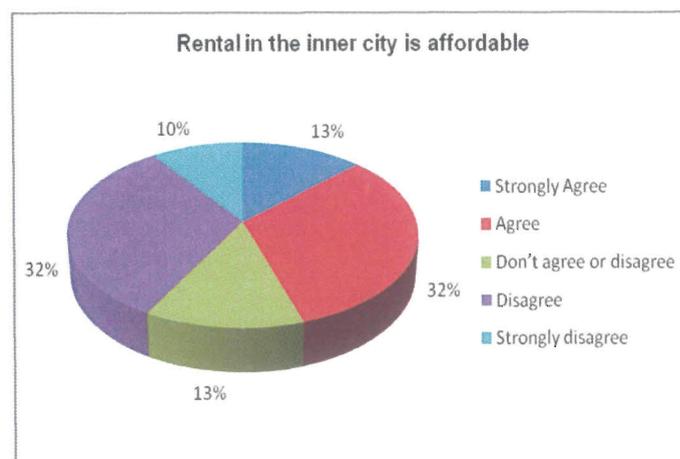
About 13% of the respondents strongly agree that the quality of their lives has improved since they moved to the inner city while 64% only agree. About 10% are undecided and 13% disagree. The majority of the respondents about 77% agree with the statement

Figure 3.15: Ownership vs. rental



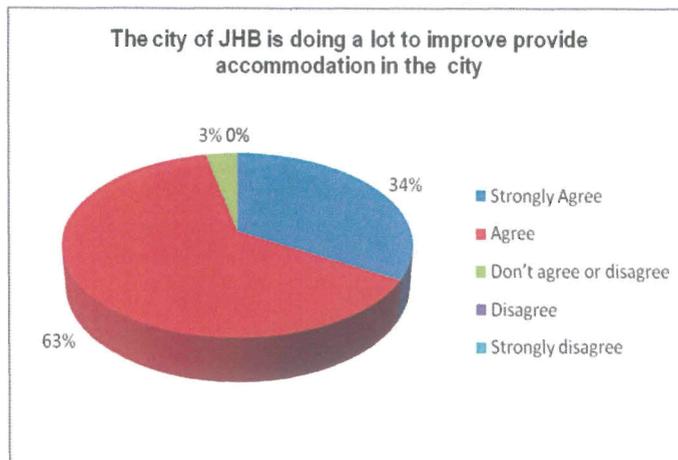
About 67% of the respondents strongly agree that they would like to own homes, while 20% agree and 0.03% is undecided and 10% disagree. Therefore, a majority of 87% of the respondents would prefer to own homes.

Figure 3.16: Affordability of inner city rentals in general



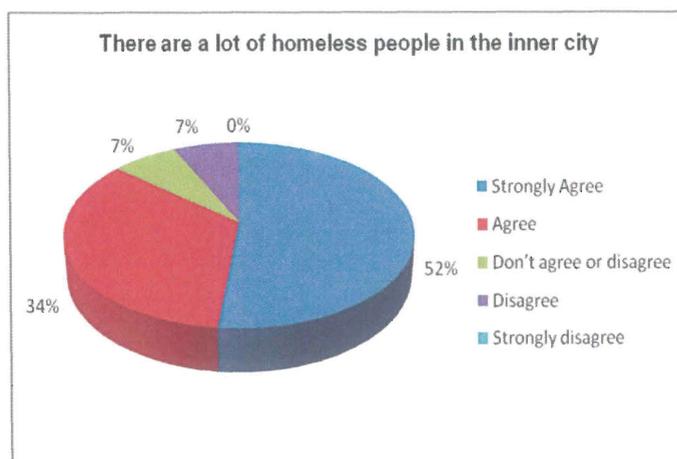
About 13% of the respondents strongly agree that rental in the inner city is generally affordable and 32% agree that rental is affordable. While 13% are undecided, and another 32% disagree that rental is affordable in the inner city while 10% strongly disagree. Therefore, 45% of the respondents concur that rental is affordable while 42% disagrees.

Figure 3.17: City of Johannesburg's efforts to provide accommodation



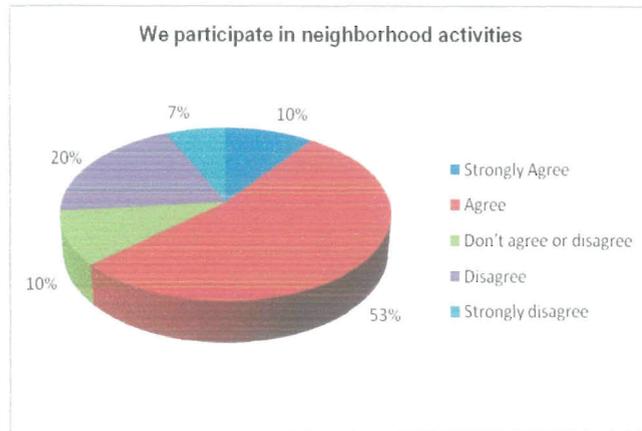
About 34% of the respondents strongly agree that the city is doing a lot to provide accommodation in the city, while 63% only agree and 3% are undecided. An overwhelming 97% of the respondent's majority recognize the city's efforts.

Figure 3.18: Homelessness in the inner city



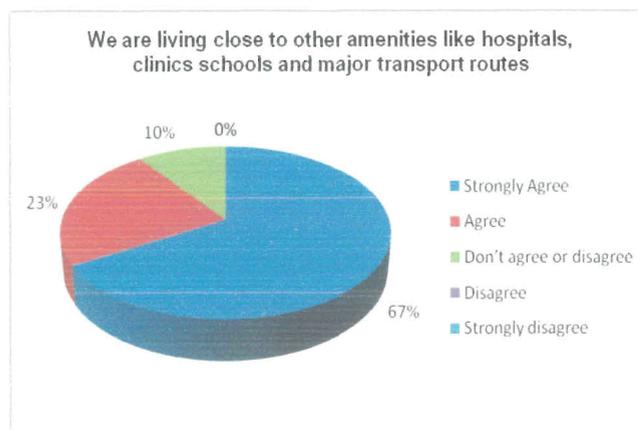
About 52% of the respondents strongly agree that there are a lot of homeless people in the city, while 34% agree and 0.06% are undecided while another 0.06% disagrees. The majority of the respondents believe there are a lot of homeless people in the city.

Figure 3.19: Participation in neighbourhood activities



About 10% strongly agree that they participate in neighbourhood activities, while 53% agrees that they participate in neighbourhood activities, 10% are undecided, 20% disagree and 0.06% strongly disagree. The majority of respondents about 63% agree that they participate in neighbourhood activities.

Figure 3.20: Proximity to public amenities



About 67% of the respondents strongly agree that they live close to public amenities like schools, hospitals, while 23% agree and 10% are undecided. The overall majority about 80% agree with this assertion.

4. Summary of the findings

The respondents are relatively young with the majority having an educational level of at least matric. About 10% have an educational level above matric. The majority is employed and all are earning within the subsidy income bracket, with the exception of about 0.06% of the respondents. The majority agree that the quality of their lives has improved, whilst they also believe the inner city is a safe and clean place to live in. The respondents think rentals within the housing association are affordable and believe that rentals elsewhere are unaffordable.

The respondents believe that there is a high number of homeless people in the inner city and that the Johannesburg Metropolitan Council is doing a lot to provide accommodation.

The respondents all agree that they live in close proximity to public amenities but are slightly divided on the proximity to places of work. Only a few stayed in the inner city for more than 4 years, therefore the researcher was unable to determine whether the respondents will migrate to other available inner city accommodation in order to make way for entrants to the beneficiary market.

CHAPTER 4

CONCLUSIONS AND RECOMMENDATIONS

4.1 Introduction

The institutional subsidy will continue to play an important role in the regeneration of the inner city of Johannesburg. Major policy shifts are taking place in the housing arena. The Breaking New Ground (BNG) housing policy proposes inclusionary housing, which does not do away with institutional subsidies, but improves on its application. This chapter presents conclusion drawn from the study in line with the objectives set out at the beginning of the study. It also evaluates whether objectives have been met or not and recommendations for future research are made.

4.2 Conclusion based on the main objective of the study

4.2.1 Has Government's institutional subsidy programme which mainly promotes and supports rental housing resulted in an increase in the number of the urban poor being accommodated in the inner city

The institutional housing subsidy programme has pioneered the way to rental housing or the subsidised rental housing tenure option. This is demonstrated by the story of the Seven Buildings in the inner city. The beneficiaries were the first to receive the subsidy in 1996 and from then on several housing associations were formed. The main objective of the housing association was to promote this tenure option. To date, more than 10000 units are managed by the same housing association. The inner city housing plan states that about 3500 social housing units are in the pipeline.

The institutional subsidy programme kick-started the whole inner city regeneration drive because it presented an opportunity of acquiring assistance to improve derelict buildings, and then establishment of clean and safe neighbourhoods.

The establishment of Social Housing Institutions within the inner city provided a model that can be replicated. However, due to increasing cost of refurbishment, land and maintenance, the Social Housing model could not be sustained in the original format.

4.3 Conclusion based on sub-objectives of the study

4.3.1 Does the institutional subsidy demonstrate success as a promoter of rental housing in the inner city?

The study revealed that the institutional subsidy has demonstrated success, as a promoter of rental housing, in that several housing associations participating in this programme are among the most successful housing management companies in the city. The policy shift toward inclusionary housing is based on the institutional housing model. It will now include a variety of income groups and not only a particular income group, to meet the housing needs of the city.

4.3.2 Do more people have access to inner city accommodation?

The respondents have overwhelmingly concurred that the city is doing a lot to provide accommodation in the inner city. Therefore, more people have access to inner city accommodation. Although the problem of overcrowding remains, the researcher believes the integrated approach by the city will assist to alleviate the problems currently experienced.

4.3.3 Do more people now live near places of employment?

The majority of the respondents agree that they live next to places of employment which has always been one of the objectives of providing inner city accommodation. The benefit is saving on the part of the respondents because they do not have to pay high costs of commuting between the urban periphery and the city.

4.3.4 Have the initial beneficiaries of the programme upgraded to other types of accommodation?

Only a few of the respondents, about 12%, were earning above the target income group. It is a clear indication that the initial beneficiaries tend to migrate to other types of accommodation as their income level increases.

About 83% of the respondents are within the required income groups. The majority of the respondents are the intended beneficiaries of the scheme. Respondents are generally young and have not stayed in the inner city for long.

The average household size is two, which is typical of young single people. We do not have a lot of families among the respondents; most of the tenants are young men and women who came looking for work in the city and needed accommodation. Upon further investigation into other accommodation managed by the housing institution, it was found that they manage other units that enable movement of the beneficiaries, according to their income levels. It has not been established whether this actually happens, due to limitations of the study.

4.3.5 Is rental accommodation in the inner city affordable?

There is a higher percentage of respondents overall that believe that rental in the inner city is affordable. The assertion is in relation to the rentals charged at Madulammoho Housing Association. A higher percentage believe rentals elsewhere in the inner city are unaffordable. There is a sense that a substantial number, though not the majority, believe the opposite. Due to the limitations of the study this aspect has not been conclusively proven. A sample of other inner city rentals targeting the middle income groups is clearly above the affordability levels of the lower income groups. The researcher does not have data to compare rentals at other subsidized rental accommodation facilities.

4.3.6 Have the beneficiaries of the subsidy programme experienced an improvement in the quality of life?

The quality of life has improved for a majority of the respondents. About 77% of the respondents believe the quality of life has improved and that the inner city is a clean and safe environment to live in. This implies that the crime rate is improving if people are beginning to feel safe in the inner city. The regeneration efforts are beginning to bear fruit if respondents believe that the inner city is a clean and safe environment to live in.

4.3.7 Do demographics influence the choice of inner city accommodation?

Demographics like age, income level, education were found to be an influence in the choice of accommodation. Respondents surveyed show that they have a high level of education, are earning within the income band required for participation in the subsidy market. It is clear that this establishment attracts mostly young people who have come to the inner city looking for employment, but are ready to move on, once their earning levels improve.

4.3.8 Are the inner city poor displaced?

An overwhelming majority of respondents believe there is a high number of homeless people in the inner city. The homeless are obviously poor and despite the city's best efforts, it also admits facing problems of dealing with the large numbers of homeless people as a result of the influx from other areas. The private landlords believe it is the responsibility of Government to provide housing for the poor.

Private landlords have entered the market due to the availability of tax incentives, the opportunity to make money and perhaps reap the economic benefits associated with Johannesburg being one of the host cities for the 2010 World Cup.

4.3.9 Is the inner city of Johannesburg regeneration programme a success?

In support of the inner city regeneration programme, the council has established various programmes, such as the establishment of the inner city regeneration charter with a specific aim and a committee dedicated to overseeing implementation of the charter. The Johannesburg Development Agency was appointed to lead the inner city regeneration development projects. The Better Buildings Programme plans to deliver some 50 000 units by 2015. All these indicate that the efforts to regenerate the city are bearing fruit.

Through these initiatives, the inner city has seen the emergence of new investors who are not necessarily providing affordable accommodation to the lower income groups.

Due to the fact that they are looking at being profitable and reaping the benefits that will come with a demand for better inner city accommodation in 2010, when the city plays host to the 2010 World Cup. In a sense, if a balance is not maintained the inner city dwellers will increasingly become displaced.

Judging from the achievements to date, it is a success. The inner city is gradually changing face. The integrated approach toward inner city regeneration is one of the important pointers. This was demonstrated by the inner city regeneration being made one of the mayoral priorities.

The vision to turn Johannesburg into a world class African city and the fact that it is the economic powerhouse in Africa are spurring on developments in this regard.

4.3.10 Has the introduction of The UDZ tax incentive accelerated investment in the inner city?

The introduction of the urban development zone incentive tax scheme contributed to more investors purchasing buildings in the inner city, with the purpose of improving them and thus catering for the middle income inner city resident. They believe that it is the responsibility of Government to provide accommodation for the lower income groups.

The company that is tasked with funding inner city entrepreneurs, namely Trust for Urban Housing Finance (TUHF), also plays a major role in accelerating inner city regeneration.

This objective has been achieved in that there have been a large number of private investors that are now investing in the inner city. In response the city has applied for an extension of the period during which the incentive was applicable. This has been granted by Treasury since it had positive results.

Private landlords are purchasing the derelict buildings and upgrading them for letting purposes albeit not for the lower income groups. This is coupled with the Better Buildings Programme which fits with the UDZ tax incentive scheme.

4.3.11 Has the fact that Johannesburg is a host city for the world cup 2010 accelerated investment in the inner city?

This is demonstrated by the fact that private landlords are developing luxury accommodation in anticipation of visitors who would like to stay in the city. This is coupled with development of other public amenities in line with requirements for qualifying as a host city. The economic opportunities that will be derived from the host city status have definitely contributed to accelerated investment.

The Better Buildings Programme has slowed down somewhat due to problems with illegal tenants in certain buildings. The city is required by law to find alternative accommodation for them, when refurbishments to a building are needed. Evictions are no longer permissible without providing alternative accommodation. This places an enormous burden on the city's resources.

4.4 Recommendations

- The Better Buildings Programme should be revived, since it is the only way the city can manage development of new housing units for the city's low income groups;

- The city should lead discussions with the Gauteng Provincial Government for more institutional subsidies;
- The participating housing associations should be on a consumer education drive that will enable the respondents to understand that they are beneficiaries of an institutional subsidy, which is perhaps responsible for the reasonable rentals they are paying. By so doing the respondents will be acutely aware of qualification criteria so that movement along the housing ladder can be encouraged. In this way more people will benefit from the programme;
- Strict enforcement of by-laws should not be compromised in order to be able to clear the city of the dirt and grime in the streets;
- The city should lobby National Government to establish refugee centres in the inner city where strict control will be maintained in order to deal with homelessness; and
- The number of shelters for the homeless should be increased with the services of the department of social development employed to deal with problems of street children and the displaced.

4.5 Areas for further research

The extent of the difference in inner city rentals charged at Social Housing Institutions compared with ordinary inner city rentals.

Secondly, whether there is movement up the housing ladder to determine whether those beneficiaries who entered the subsidy market in 1994 have migrated to other types of accommodation as they experienced salary increments.

4.6 Conclusion

The institutional subsidy will continue to play an important role in the regeneration of the inner city of Johannesburg. Major policy shifts are taking place in the housing arena with the Breaking New Ground housing policy proposing inclusionary housing, which does not do away with institutional subsidies, but improves its application.

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WEBSITES

www.Joburg.org.za

www.housing.gov.za

www.gpg.gov.za

P.O.Box 31376
BRAAMFONTEIN
2017

Executive Manager Housing

Madulammoho Housing Association

Sir/Madam

Investigative study on the impact of the institutional subsidy on the inner city regeneration of the city of JHB

I am an MBA student of the Potchefstroom Business School. My employer is the National Housing Finance Corporation (NHFC). I am currently investigating how the Institutional subsidies that were provided by the Department of Housing have had an impact on the inner city regeneration of JHB. I am aware that Madulammoho as one of the leading Social Housing Institutions participated in the particular subsidy scheme.

I hereby request permission to send out questionnaires to tenants in your projects to assist me to answer questions in this regard.

I will greatly appreciate your assistance in facilitating that residents in some of your buildings complete all sections of the attached questionnaire. The method preferred would be that of interviewing the tenants face to face but would like you to assign members of the tenant committees with whom to liaise in order to complete this exercise

The results of the survey will be made available to your institution.

I thank you and the residents of your projects for participating in this survey.

Attached, please find the questionnaires for completion by residents.

Yours Faithfully

MF Mamaregane

SECTION A

DEMOGRAPHIC INFORMATION

MARK THE APPROPRIATE BLOCK WITH A CROSS (x)

1. GENDER	
MALE	FEMALE
1	2

2. RACE	
AFRICAN	1
INDIAN	2
COLOURED	3
WHITE	4
OTHER(SPECIFY)	

3. AGE	
18-29	1
30-39	2
40-49	3
50-59	4
60 YEARS AND OLDER	

4. EMPLOYMENT	
EMPLOYED	1
SELF EMPLOYED	2
UNEMPLOYED	3
OTHER(SPECIFY)	

5. HIGHEST EDUCATIONAL LEVEL	
GRADE 7	1
GRADE 8-9	2
GRADE 10-11	3
MATRIC	4

POST MATRIC CERTIFICATE	5
DEGREE/DIPLOMA	6
POST GRADUATE	7
OTHER(SPECIFY)	

6. INCOME LEVEL	
R0-R800	1
R801-R1,500	2
R1,501-R2,500	3
R2,501-R3,500	4
R3,501-R4,500	5
R4,501-R5,500	6
R5,501-R6,500	7
R6,501-R7,500	8
R7,500 and above	9

7. RENTAL LEVEL	
0 -R850	1
R851-R900	2
R901-R1,000	3
R1,001-R1,200	4
R1,201-R1,300	5
R1,301-R1,400	6
R1,401-R1,500	7
R1,501-R1,600	8
R1,601-R1,700	9
R1,701 and above	10

8. HOUSING INSTITUTION WHERE YOU STAY	
MADULAMMOHO	2
OTHER (specify)	

SECTION B

Choose one answer by marking it with a cross(X) or circle around alphabet letter.

1. I have lived in the inner city for:
 - a) Between 0 and 1 year
 - b) Between 2 and 3 years
 - c) Between 4 and 5 years
 - d) Between 6 and 7 years
 - e) Between 8 and 10 years
 - f) More than 10 years

2. How many people are living in your household?
 - a) 1-2
 - b) 3-4
 - c) 5 and more

Answer by marking Yes or No to the questions or Maybe if you are unsure

1. I have received a housing subsidy when I moved into the Estate?
 - a) Yes
 - b) No
 - c) Maybe

2. Do you intend moving to another estate /residence at some point?
 - a) Yes
 - b) No
 - c) Maybe

3. Would you afford the rentals if you moved elsewhere in the inner city?
 - a) Yes
 - b) No
 - c) Maybe

4. If employed, are you staying close to your place of employment?
 - a) Yes
 - b) No
 - c) Maybe

SECTION C

INSTRUCTIONS

1. You are given statements that you have to respond to by choosing one of the responses. If you strongly agree with a statement, you may choose a 5, if not you may choose, a 2 or a 1. In the corresponding block depending on how strong you feel about the statement.

Please answer all questions

	Strongly agree	Agree	Don't agree or disagree	Disagree	Strongly disagree
The inner city has become a clean and safe place to live in	5	4	3	2	1
The quality of my life has improved since I moved to the inner city	5	4	3	2	1
I would like to own my home rather than rent it	5	4	3	2	1
Rental in the inner city is affordable	5	4	3	2	1
The city of JHB is doing a lot to improve provide accommodation in the city	5	4	3	3	1
There is a lot of homeless people in the inner city	5	4	3	2	1
There is enough accommodation provided by the city for people Who cannot afford high rentals	5	4	3	2	1
Rentals at other inner city buildings are affordable	5	4	3	2	1
We participate in neighborhood activities	5	4	3	2	1
We are living close to other amenities like hospitals, clinics schools and major transport routes	5	4	3	2	1

Thank you for responding