

HOSTEL CONVERSION AS SOCIAL HOUSING IN SOUTH AFRICA – FUNDING REGIME VS REAL NEEDS. CASE STUDY OF THE SETHOKGA HOSTEL CONVERSION PROJECT

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ABSTRACT

After 1994 the new South African government introduced a hostels upgrading and conversion program with the objective of turning dormitory-type migrant worker hostel compounds into integrated “villages” suitable for family living. Government capital subsidy and state-backed loan funding are the main financing tools. The funding regime is rigid in that it prescribes both certain minimum requirements for the housing product and the kind of household eligible for subsidy (family or person with dependents, but excluding singles).

With more than 600 000 beds in public sector hostels alone, poor living conditions generally, and buildings and services often in a state of neglect, the question is whether existing policies and programmes promote the redevelopment of hostels as a sustainable form of housing for the poor in South Africa.

A survey among residents of one of the larger hostels revealed that:

- The majority of the residents will experience financial and other problems if they let mostly rurally-based families join them in the city.
- In addition, low pay and high unemployment contribute to real fears among the residents about their ability to afford the to be upgraded accommodation, and the possibility of displacement, and even eviction as a result.
- The expressed need therefore appears to be for affordable accommodation options not limited to family units, ranging from single rooms to apartments for sub-letting and sharing.

It is concluded that a more flexible funding system is required to cater for the real needs of the intended beneficiaries of the upgrading program.

Introduction

South Africa is a land of contrasts. Great mineral wealth, agricultural exports, and reasonably sophisticated manufacturing and services sectors have made it one of Africa's major economies with a well-developed infrastructure. At the same time the majority of the people are poor, and large parts of the rural hinterland underdeveloped and lacking in basic amenities such as clean water, sanitation and electricity. In October 1996 approximately 62% of all employed South Africans earned less than R1 500 (U.S. \$175) per month (South Africa 1998).

The urban population, about 54% of the total, is concentrated in the major cities such as Johannesburg and Pretoria (situated in the central province of Gauteng), and in the coastal cities such as Cape Town, Port Elizabeth and Durban.

Table 1: General profile and some economic indicators of South Africa: December 1999 (except where otherwise indicated) (Newell *et al.* 2002)

Total land area:	1 219 million km ²
Total population:	43.4 million (76% African, 13% of European descent, 11% mixed/Asian)
Population growth:	1.32% p.a.
Rate of urbanisation:	2.9% p.a.
GDP:	U. S. \$134 billion
GDP growth:	2.5% p.a.
GDP per capita:	U.S. \$3 200
Exchange rate:	1 Rand = U.S. \$0.12 (10 January 2003)
Poverty datum:	R1 440 (U.S. \$167) per month for a family of four
Labour force:	15 million
Unemployment:	34%
Value-added Tax rate:	14% (on almost all goods and services)

Towards the end of 2001 the South African Rand underwent a dramatic decline of value of some 40% against the U.S. dollar. Although it had regained much of that loss by the end of 2002, the effects of the initial weakening of the currency on inflation generally, and food prices in particular, is expected to impact seriously on the ability of poorer people to pay for housing and services in the months to come.

Background to the hostel system

The discovery of diamonds and gold during the latter decades of the 19th century in the then Republics of Transvaal and the Orange Free State was the catalyst for large-scale urbanisation in South Africa. The mining industry, followed later by the manufacturing and other sectors needed large numbers of cheap labour. This, coupled with the final destruction in the 1870^s of indigenous black political, military and economic power by the British and the Boers, were some of the factors that gave birth to the migrant labour system in South Africa (Wilson 1972:1-2). In this system black men would leave their traditional rural homes for the towns and cities in search of work, while leaving their families behind to eke out an existence based on subsistence farming, or rely on remittances from the men working in the city.

The ideology of separate development (or *apartheid* as it is better known) relied among other things on influx control aimed at limiting the presence of blacks in South African cities. The policies of successive white-controlled minority governments which ruled South Africa until the introduction of majority government in 1994, regarded blacks as temporary sojourners in "white" urban areas, and denied them property rights in these areas until the early 1990s (HSRC 1993:3). One of the results of the policies of spatial segregation of different races is that the majority of urban blacks reside in so-called townships situated on the peripheries of almost all towns and cities from where they commute daily to work and shop. Most of the hostels are found in these townships.

In the context of this paper the term hostel refers to dormitory type single sex accommodation, built originally around mines and cities to house black male migrant workers from rural homelands and neighbouring countries. These hostels range from small annexes on mining and factory premises housing less than a hundred people, to large sprawling compounds inhabited by up to 12 000 residents (Pienaar & Crofton 2000:6).

The total value of investment in land, infrastructure and buildings in the provision of hostel accommodation is not reliably known, but it must be substantial if one considers that hostels house an estimated one million people on low income (Finance Week, 1994:14).

The hostel system, devised to accommodate migrant labourers at the lowest possible cost, showed scant consideration for comfort and quality of living environment, and complexes were designed specifically to make it impossible for families to join their men residing there. The fact that the system was destroying community and family life and the consequences of this for the future received no attention at all.

In the final decades of the struggle against *apartheid* during the 1980s and early 1990s, the so-called townships where Africans mostly lived, were racked by internecine political violence. Hostel residents were usually heavily armed, and more often than not they belonged to ethnic groups different to those of the surrounding township communities. Hostels were regularly being used as springboards for raids on the strongholds of political rivals in the townships during this time (HSRC 1993:4-8,10-25).

The current state of hostels

There are three main types of hostels:

1. Hostels built and managed by the public sector to house their own employees, but also with space rented out to industry
2. Hostels or compounds built by larger private sector employers, usually as in-situ adjuncts to mines and factories
3. The so-called "Grey sector" hostels, built by private sector employers on land owned by the public sector, and managed by these employers under contract with some form of local or district authority

Hostels have been subject to a wide range of construction, management, and maintenance standards. Private sector hostels are generally better managed than public sector ones, but a large number of employers have been doing away with hostels because of the costs and difficulties involved in owning and managing hostels. In the grey sector especially, many employers have simply abandoned their contracts with the local authorities in question (USN 2001:17).

Public sector hostels, owned by local and provincial authorities, have generally become unmanageable politically and financially. Control over who enters and lives in hostels is virtually impossible, registers and other administrative records are outdated, rental levels have stagnated at mid 1980s levels (and are in up to 75% of cases not being collected anyway), and management and maintenance levels are low (USN 2001:5-7,22; Pienaar & Crofton 2000:6).

Living conditions in these hostels are extremely poor due to overcrowding, lack of privacy, overloading of services, and non-maintenance among other factors (HSRC 1993:26). Physical observation of the Sethokga hostel complex revealed a state where up to 25 residents inhabit a single dormitory, with two or more people sharing open cubicles of 2.6 x 2.6m each, and communal facilities consisting of a dining area with one stove, and one dysfunctional bathroom for the whole dormitory. There is no electricity in the sleeping quarters (originally provided, but long since vandalised), and many window panes are broken (Pienaar & Crofton 2000:13).

From the 1970s onwards there were sporadic upgrades and refurbishments of both private and public sector hostels. These were interrupted by the conflicts of the 1980s and early 1990s, and public sentiment wavered between calls on the one hand for the demolition, and on the other hand for the complete overhaul of the system (HSRC 1993:34-37). A National Hostels Co-ordinating Committee was formed in 1993, and helped to formulate the national policy of the newly

elected African National Congress (ANC) government towards hostels in 1994. The essence of this policy was that hostels should be redeveloped to create sustainable humane living conditions, and to re-integrate these hostel communities into the surrounding township communities (South Africa 1994:25).

Options for upgrading and conversion of hostels under government's subsidised housing programme

There are a number of options available under government's subsidized housing programme for the redevelopment of hostels. These are summarized below:

The project-linked capital subsidy scheme for first-time home-ownership (South Africa 2000:196-217)

Developers, who can include municipalities, submit a project proposal for the development of houses on serviced stands for people who qualify in terms of the subsidy eligibility criteria. The subsidy amounts available per qualifying household are as per table 2 below:

Table 2: Housing capital subsidy amounts according to income band (South Africa 2000, & South Africa 2002)

Combined household income of beneficiary	Amount of subsidy available up to March 2002	Increased subsidy as from April 2002
Below R1 500 (U.S. \$175) per month	R16 000 (U.S. \$1 860)	R20 300 (U.S. \$2 360)
R1 501 – R2 500 per month (U.S. \$176 – U.S. \$290 per month)	R10 000 (U.S. \$1 163)	R14 900 (U.S. \$1 732)
R2 501 – R3 500 per month (U.S. \$291 – U.S.\$407 per month)	R5 500 (U.S. \$640)	R8 200 (U.S. \$953)

From April 2002 households must also contribute from own savings or through "sweat equity"(own labour or materials) the equivalent of R2 479 (U.S. \$288) (South Africa 2002:4-5).

The amount of subsidy can be increased by up to 15% for locational and geophysical factors. This is to compensate for additional development costs caused by adverse site conditions, and to act as incentive for development that puts poor people in close proximity to facilities and economic opportunities. There are also optional extras where houses with facilities for the disabled are provided.

Considered transfer payments by the receiver of revenue, these subsidies are also zero-rated for purposes of Value Added Tax (VAT).

The scheme has delivered some 1.3 million low-cost homes (mainly free-standing units for individual ownership) since 1994 at a total cost to the taxpayer of R18.4b (U.S. \$2.14b) (South Africa 2002:6).

In the case of hostels redevelopment one option is for this subsidy to be used to build new free-standing dwellings for individual full title ownership on unused portions of land within hostel complexes. This option would require sub-division of the land as well as the installation of additional services.

Another option would be to convert existing dormitories into family apartments that can be sold off to beneficiaries under sectional title. Sectional title is a form of ownership where an individual holds title to a dwelling unit (which can be a free-standing unit, or part of a multi-unit building), but owns together with all the other owners of sectional title dwellings on that property an undivided share of the land on which the dwellings are built. Where existing dormitories are converted and sold under sectional title, the project would be exposed to all the problems that sectional title properties generally experience in low-income areas in the private sector (poor management and maintenance, inability to collect levies and service debts, etc.).

The Peoples Housing Process (South Africa 2000:297-317)

The Peoples Housing Process was introduced to allow communities to actively participate in the provision of their own housing without the involvement of private developers, but with technical and administrative support from approved Housing Support Organisations.

Facilitation grants are made available by government to kick-start a project, and an establishment grant of R570 (U.S.\$66) per beneficiary can be applied for to pay for the services of the Housing Support Organisation. The housing subsidy is the same as for the project-linked capital subsidy scheme.

Hostel residents acting as a community could conceivably use this route to obtain ownership of and improve their accommodation by making use of the local authority, a suitable NGO, or even a team of professionals as their Housing Support Organisation.

The institutional subsidy for social housing (South Africa 2000:253-274):

Essentially also a project-linked subsidy, this subsidy is provided to non-profit institutions that are independent of government and are registered as approved legal entities to provide and manage mainly, but not exclusively, subsidised rental housing to households earning less than R3500 (U.S. \$407) per month.

This subsidy was introduced in 1995 as a once-off capital grant of R16 000 (U.S. \$1 860) per dwelling unit to the approved social housing institution. The amount has recently been increased to R27 000 (U.S. \$3 140) per unit as part of government's policy to promote medium density housing (South Africa 2002:5). The tenure options currently allowed include:

- Rental
- Co-operative ownership (Co-operatives or Share-block)
- Instalment sale or so-called "rent-to-buy" (with a minimum rental period of 4 years before conversion to ownership)

This form of housing is still in its infancy in South Africa. Some 20 institutions (many initiated by municipalities with donated land and/or existing council housing stock) have between 10 000 and 15 000 units under management. Government, however, has embarked on a social housing development programme that will see itself, the European Union (EU), and the government-owned National Housing Finance Corporation (NHFC) provide support towards institutional strengthening and the construction of 50 000 new units over the next 3-5 years.

Because the hostels redevelopment programme itself has been in limbo for the last few years, the institutional subsidy route has been considered as an alternative for getting hostel conversion projects off the ground. The usual process is broadly as follows:

1. A municipality that owns a hostel initiates and initially supports the setting up of an independent social housing institution (not for profit company acting as a Housing Association or Co-operative, or Share-block company) with technical and capacity building support from the Social Housing Foundation (an independently managed, government-owned support organisation), the government and sometimes development NGOs
2. The municipality then transfers the property to the institution by way of Deed of Donation, or sells it at nominal cost
3. Once the institution is up and running it executes the project with funding obtained through the institutional housing subsidy and top-up loan finance from the government's National Housing Finance Corporation if required
4. The institution "inherits" the residents who will become the primary source of its future rent-paying tenants, and owns and manages the stock for its own account.

The Public sector hostels redevelopment programme (South Africa 2000: 333-348)

This programme makes provision for grant funding from central government for the upgrading/conversion of public and grey-sector hostels to create:

- humane living conditions for residents, and to
- provide affordable and sustainable housing opportunities on a rental or ownership basis for people on low income

The grant is provided in the form of a capital subsidy in the amount of R16 000 (U.S. \$1 860) per family, or R4 000 (U.S. \$465) per individual sharing facilities.

To qualify for support under the programme, hostels redevelopment projects must:

- be planned and executed in an inclusive and participative manner (a local negotiation group involving residents and other community interest groups must be established)
- be based on a proper socio-economic survey to determine needs and affordability levels
- not result in the displacement of residents unless acceptable alternative accommodation arrangements can be made
- be sustainable in terms of on-going payment of maintenance and service costs
- maximize employment opportunities for residents and locals in the construction and maintenance phases.

This whole programme is currently under review pending feedback from the provinces on the success or otherwise of pilot projects. Unfortunately such feedback has been slow and incomplete, and very few projects have actually been carried out.

Table 3 Comparison of key aspects of the different options for hostel upgrading or conversion in South Africa

Key aspect	Project-linked capital subsidy for first-time home ownership	Peoples Housing Process	Institutional subsidy for social housing	Public sector hostels upgrading programme
Subsidy available	Sliding scale up to R20 300 (U.S. \$2 360) for households earning below R1 500 (U.S. \$175) p.m.	As project-linked subsidy	R27 000 (U.S. \$3 140) per dwelling unit for households earning below R3 500 (U.S. \$407) p.m.	R16 000 (U.S \$1 860) per household, or R4 000 (U.S. \$465) per individual sharing
Developing agent	Private developer or municipality through private developer	Community with assistance from Housing Support Organisation	Non-profit housing association or co-operative	Municipality or provincial government with private contractors
Tenure options	Immediate individual ownership	Immediate individual ownership	-Rental -Instalment sale -"Rent-to-buy" (tenant purchases unit after 4-year initial rental period) -Co-operative ownership	-Rental -Immediate individual ownership
Responsibility for managing	Individual home Owner	Individual home owner	-Housing association for rental -Individual or home owners' association after ownership	-Municipality or provincial government for rental -Individual or home owners' association after ownership

National housing norms and standards for government subsidised housing

The National Housing Code for subsidised housing (South Africa 2000:119-120) defines such housing as:

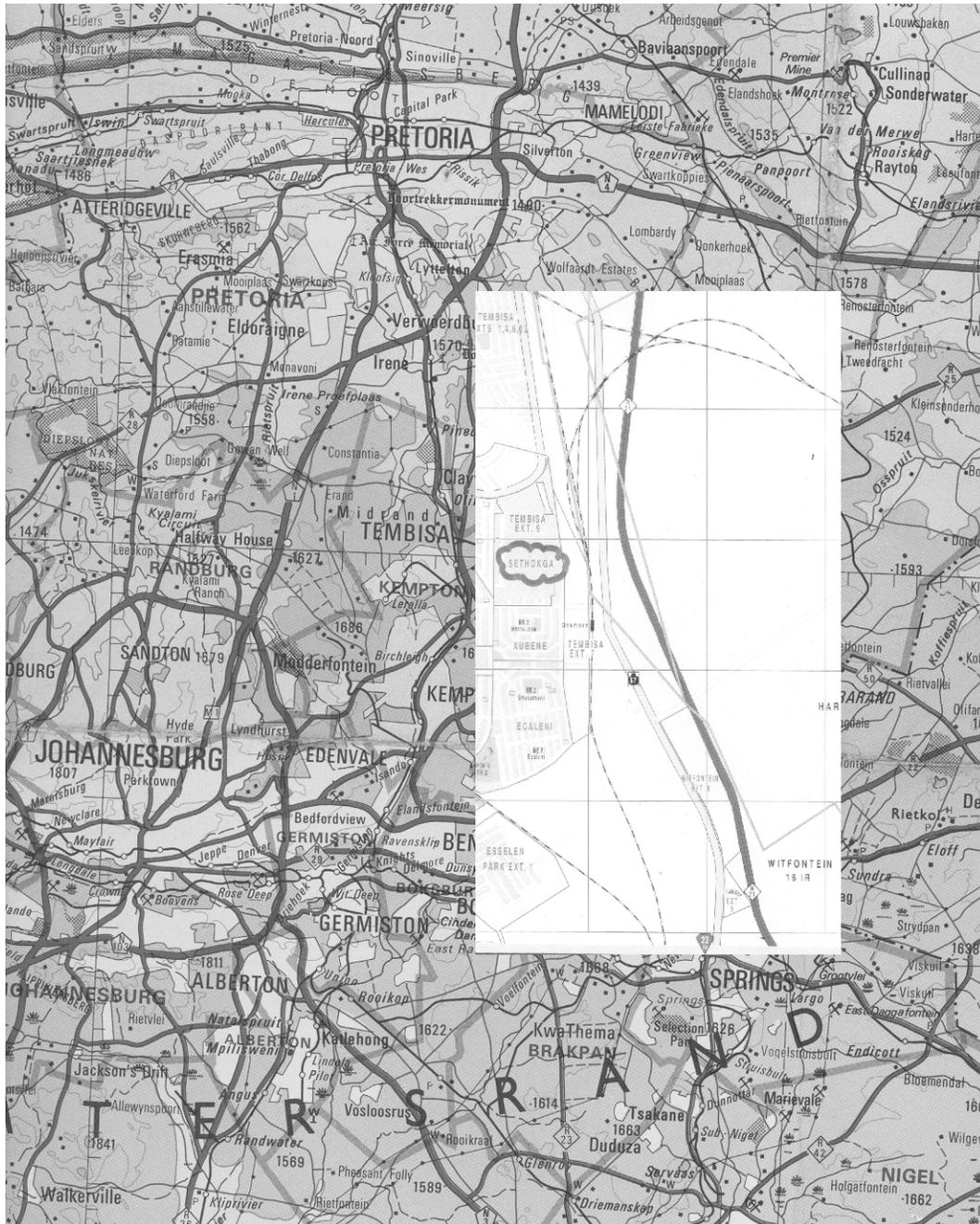
- A permanent residential structure with secure tenure, internal and external privacy, and adequate protection against the elements, with
- potable water, adequate sanitary facilities and a domestic energy supply

Dwellings have to have a minimum gross floor area of 30m².

The Sethokga hostel

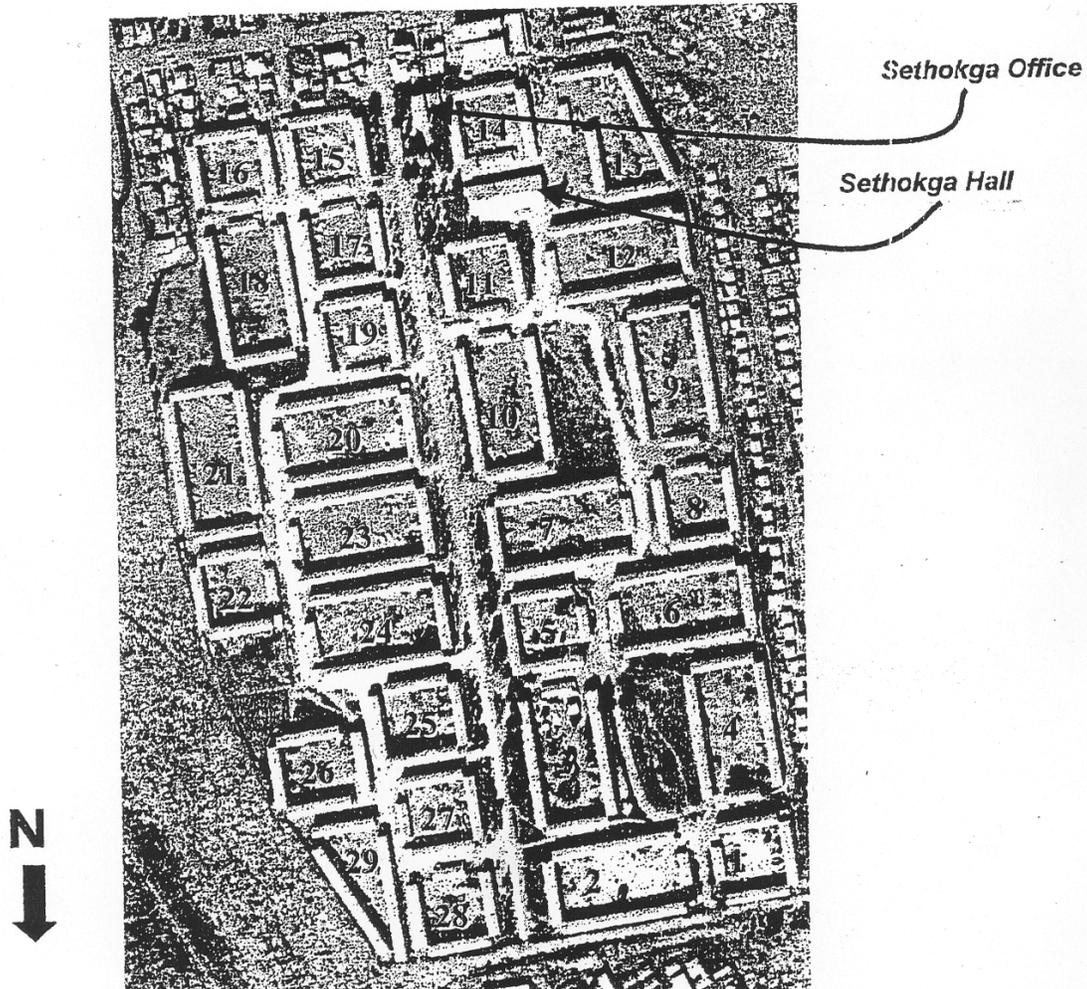
Sethokga is a local authority-owned public sector hostel at the north-eastern edge of Tembisa, a sprawling township of more than 500 000 people roughly halfway between Pretoria and the Johannesburg International Airport (see figure 1 below). The hostel is situated close to Oakmoor station on the main rail link between Pretoria and Kempton Park, and has good transport links (mini-bus taxi, bus and rail) with Pretoria, the Olifantsfontein/Clayville industrial complex to the north, and fast-growing Midrand to the west. The area is reasonably well-served with regard to facilities such as hospitals, schools, sports grounds and trading, both formal and informal.

Figure 1: Locality map of the Sethokga hostel complex



The Sethokga complex consists of 29 U-shaped single and double-storey blocks on approximately 22 hectares of land, with 12 000 official bed spaces (see figure 2 below).

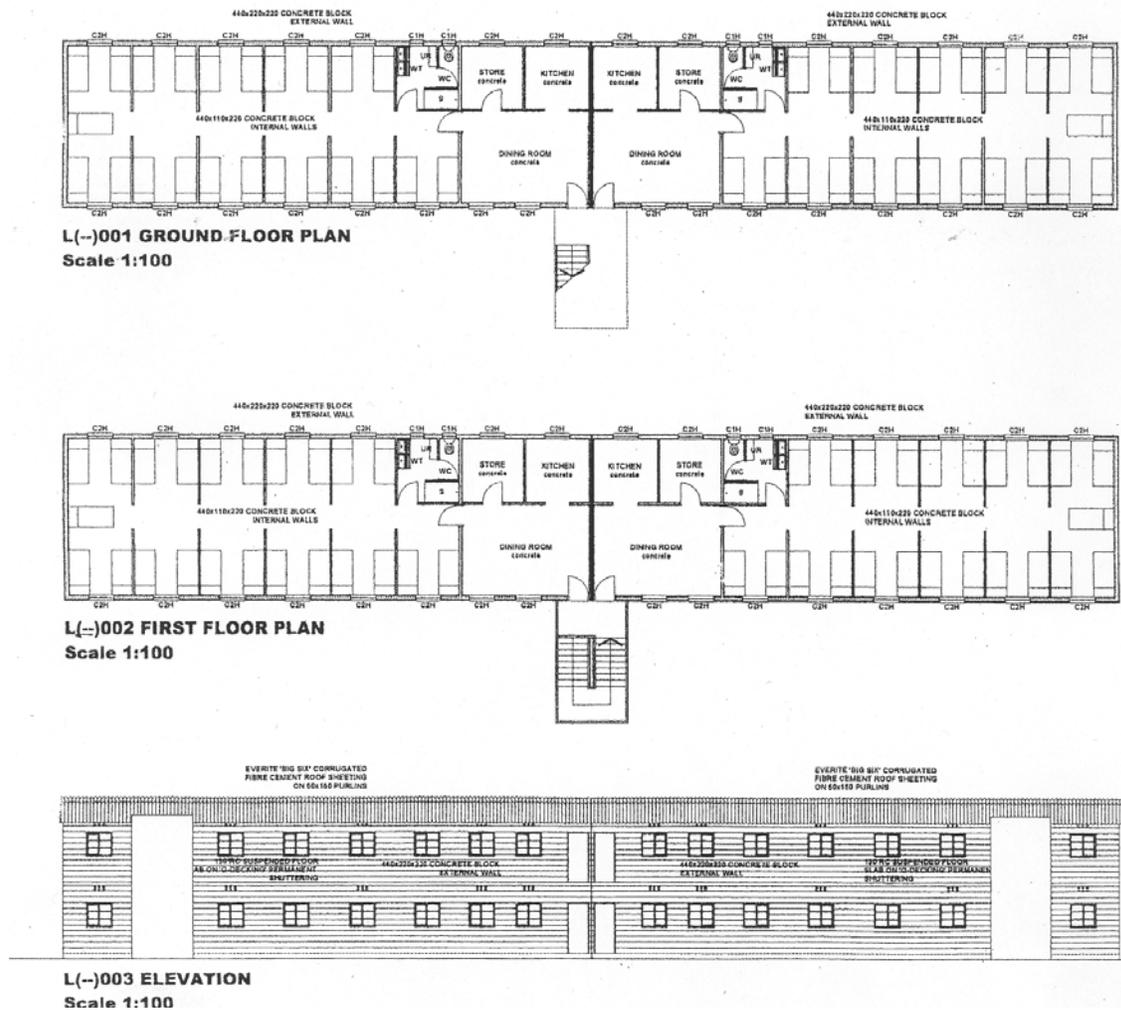
Figure 2: Aerial view of the Sethokga hostel complex



Sethokga hostel was constructed in the early 1970s and consists of cement washed and painted concrete hollow block walls, asbestos cement profiled sheet roofs, and concrete slabs on rib-and-trough galvanised steel sheet permanent formwork. There are no ceilings or floor finishes. Each hostel block consists of separate dormitories of 25 bed spaces sharing an entrance, and very rudimentary cooking, dining and ablution facilities. Sleeping "cubicles" each 2.6 x 2.6m in size, and accommodating two beds are arranged in rows open to, and on either side of a central corridor. There is no individual privacy other than whatever flimsy provisions residents themselves have been able to make (see figure 3 below).

The buildings are structurally reasonably sound, and although built on medium dolomitic soil, are not expected to give much trouble if basic precautions such as paving, drainage and prevention of major water and sewer leaks are maintained. Most of the internal electrical reticulation in the buildings themselves have long since been stripped out. Prior to a clean-up initiative carried out by the local council in early 2000, the sanitation and sewage systems were largely dysfunctional due to blockages and leaks, and these remain severely overloaded.

Figure 3: Existing floor plan of typical dormitory



The Sethokga hostel conversion pilot project (LHDSG 2001: 8-10)

Sethokga was selected for conversion for two main reasons. Firstly, its sheer size meant that a successful conversion would contribute substantially to urban renewal in the area, and earn the government considerable political plaudits. Secondly, the cost of maintaining services in the face of low levels of rental payments was becoming an unaffordable burden to the local authority owner of the complex. In 1997 the local authority commissioned a consulting firm Urban Planning Services to carry out a comprehensive socio-economic survey among all hostels within its area of jurisdiction, and to prepare a Hostel Strategy and Impact Study. This study proposed conversion of the entire Sethokga complex into one, two, and three-bed room family apartments (Urban Planning Services 1998).

The proposed conversion was prevented from taking place through what appears to be a combination of political factionalism within the complex, and fears of inability to pay rentals and subsequent displacement among residents. By the end of 1999 the project team had been dissolved, and conditions in the complex continued to deteriorate.

In early 2000 the Gauteng Provincial Housing Development Board (PHDB), the Ekurhuleni Metropolitan Council, The Kempton Park Municipality, The Social Housing Foundation, the Land and Housing Development Support Group, and the residents of Sethokga agreed to set up the Sethokga Housing Association (SHA) and re-start the long-term

redevelopment of the hostel complex. The first phase was a pilot project aimed at the conversion of dormitories into 500 family units for rental with institutional subsidy funding and a top-up loan from the National Housing Finance Corporation to cover the capital costs of the development.

The Ekurhuleni Metropolitan Council, acting on behalf of the owner of the complex, the Kempton Park Municipality, appointed the Land and Housing Development Support Group as consultants to carry out a new social survey and prepare a feasibility study and business plan for the pilot project. The main aims of the survey were to determine the socio-economic profile of existing residents, their housing needs and preferences, and levels of payment for housing and services that the residents would be able to afford. Although falling outside the scope of this paper, it needs to be mentioned that the study also took into account issues such as existing patterns of trade and movement in and around the complex, the need for social, business and recreational facilities, opening up the complex to neighbouring communities without sacrificing security aspects, and the spatial integration of the pilot project with the rest of the complex to ensure maximum impact.

The SHA was set up and operations funded initially with an interest-free loan from the municipality. A socio-economic survey was conducted among a sample of 500 residents in July 2000 (Pienaar & Crofton 2000 – see below), and the results of this were used to plan and design the project and procure a contractor to do the construction work. The initial construction budget was R12.4m (U.S. \$1.44m) or approximately R25 000 (U.S. \$2 900) on average per unit. The institutional subsidy of R18 400 (U.S. \$2 140) per unit (R16 000 plus 15% discretionary extra) would have provided about 75% of the capital outlay, with a NHFC loan funding the balance. Tenders were obtained in April 2001, and construction was to start in May 2001.

Residents, however, again put a halt to the handing over of the site to the contractor, and at the time of writing construction had still not started. At a number of public meetings held subsequently residents have given their reasons for halting the project as being a lack of proper consultation with themselves, and unrepresentative leadership. This happened despite the fact that the community had participated in the planning process and was kept informed at all times of what was going to happen. Costs have in the meantime escalated to almost R15m (U.S. \$1.744m).

The Gauteng Provincial Housing Department has recently advised that the project will be cancelled as an institutional housing project, and reconstituted under the Public Sector Hostels Redevelopment Programme.

Some results from the socio-economic survey (Pienaar & Crofton 2000)

For the survey 500 residents or 25% out of a target population of 2000 were selected using a non-probability sampling technique. The 10-page survey questionnaire was developed to identify key focus areas and accompanying variables. Residents completed the questionnaires with the help of fifteen trained fieldworkers proficient in the various home languages of the residents. Completion of the questionnaire took about 90 minutes per respondent.

After checking, and statistical processing only 326 responses were considered reliably usable, and this represented the final sample (16.3% of the target population). In addition the official municipal register and management records were scrutinized. The hostel complex was also physically surveyed, and resident activities were observed and recorded for a period of two weeks by trained fieldworkers

The survey indicated that occupants are still overwhelmingly men living in the hostel on their own without their families (more than 88%). Of these, 54% were sharing their bed space or cubicle, usually with another man in the same situation. Only 9.5% were sharing their cubicle with a woman or woman with child/children. In the sample, 16.8% of residents originally came from the Eastern Cape Province and 73.3% from Limpopo Province (formerly Northern Province) indicating their largely rural roots.

Of the sample of residents participating in the survey 45% are married and 51% have never married, although 72% have indicated that they have dependents. A high proportion (75%) indicated that their dependents would join them if proper housing (and jobs) were available. Most (61%) of the dependents in the rural areas currently enjoy some form of employment, or are involved in income-producing activity, and most of this would be lost if the dependants joined the men in Sethokga.

Of the Sethokga residents, 37% visit their families at least once a month and 31% at least once a year. The vast majority (78%) indicated a desire to stay in Sethokga permanently, citing as main reasons for staying here the following:

- Close to work: 54%
- Nowhere else to stay: 42%

Tenure preferences for converted units were as follows:

- Ownership: 36%
- Rental: 27%
- Rent to own (a peculiar South African concept of deferred ownership): 35%

Informal communication with residents indicated that the high number opting for rent-to-own can probably be ascribed to the fact that ownership can be obtained without having to put down a deposit immediately, and a general misconception that rental payments during the prescribed four year rental period would "pay off" the purchase price.

Existing rentals averaged approximately R85 (U.S. \$10) per bed per month. Most of those who were paying were doing so through pay-roll deductions effected automatically by their employers (mainly municipalities in the area). A total of 92.3% indicated a willingness to pay rent for upgraded accommodation. Preferred rentals for proposed converted units averaged as follows:

- One-bedroom units: R100 (U.S. \$12) per month
- Two-bedroom units: R200 (U.S. \$24) per month
- Three-bedroom units: R300 (U.S. \$36) per month

When compared with the financial feasibility study for the project (LHDSG 2001), these figures are R120 - R250 (U.S. \$14 - U.S. \$29) per month lower than the rentals needed after conversion to make the project viable. The preferred affordable rentals above could only be achieved if the product norm of 30m² minimum floor area is relaxed and subsidy eligibility criteria are changed to allow sharing of units

Unemployment was 35% and non-payment of rental was 38.5%. Reasons given for non-payment were as in table 4 below:

Table 4: Reasons for non-payment of rent (Pienaar and Crofton 2000)

Reasons given for non-payment of rent	%
Not employed – unable to pay	29.54
Nobody else pays	24.58
No reason given	19.08
No maintenance – waiting for conversion	12.66
The hostel office is corrupt	5.80
No billing from municipality (Don't know how much/where to pay)	5.50
Not a legal occupant of hostel	1.20
Was told by leaders not to pay	0.92
Government is paying	0.55
TOTAL	100.00

Most residents who were not paying were heavily in arrears, with average arrears exceeding R2 000 (U.S. \$233) per resident (Kempton Park Local Council 1999). In the survey 90.2% of residents indicated that they were not currently paying rent whereas the municipal records reflect a non-payment level of only 38.5%. This suggests that a large number of people are not even aware that they are paying rent (rent payments of formally employed residents are by automatic debit facility or pay-roll deduction). The non-payment figure also roughly corresponds with the number of unemployed residents (35%).

Lessons from the Sethokga experience to date

Lengthy consultation with community representatives and local politicians have revealed that the main reason the pilot project was halted was the fact that it inadequately addressed the needs of the majority of residents. A memorandum presented by residents to the provincial Member of the Executive Council (MEC) for housing in July 2002, listed among others the following demands:

- Dismantling of the Sethokga Housing Association
- Further consultation with the community on housing needs and affordability
- A commitment to provide alternative accommodation for anyone affected by proposed redevelopment

A range of results from the 2000 survey on housing needs (Pienaar and Crofton 2000), and income and expenses were combined with the above to establish the following salient points:

- ▶ Less than 30% of residents could afford to spend R500 (U.S. \$58) per month or more on housing. The majority therefore, would be unable to afford the rent for converted family units. The adjustment from current rentals to the envisaged rentals for converted units would be too great for most residents. Affordability appears to remain the primary consideration in the minds of hostel residents. The rigid product norms and eligibility criteria of the government housing subsidy scheme on the other hand render conversion projects too expensive to meet the need for a range of affordable housing options.

Table 5: Affordable monthly payments on housing (Pienaar and Crofton 2000)

Amount	Number	%
More than R0 but less than R100	90	27.61
More than R100 but less than R500	139	42.64
More than R500 but less than R1000	58	17.79
More than R1000	39	11.96
Total	326	100.0

- ▶ Residents would not like to leave the blocks they are currently staying in because of established family and other social ties and networks, safety, and running of informal businesses from their blocks.

Table 6: Reasons given for not wanting to move from current residence (Pienaar and Crofton 2000)

Main reason given	Number	%
Family members staying in same block	35	10.74
Friends staying in same block	121	37.12
Feel safe here because of knowing other residents	86	26.38
Running an informal business from the block – may lose clients if moved	27	8.28
Other reasons	22	6.75
Do not mind moving	35	10.74
Total	326	100.00

- ▶ Consultation with leaders and views expressed at public meetings revealed fears that partial redevelopment as envisaged in the pilot project would divide the community and cause conflict when it came to allocation of new units to a selected few.
- ▶ Residents not targeted for the pilot project expressed a fear at public meetings that their expectations of better living conditions will never be met once the conversions for those few who can afford the higher rentals of converted units have been completed.
- ▶ The single tenure model (rental only) did not reflect residents' preferences as shown in table 7 below. From a broader planning and management point of view the single tenure model would also perpetuate the transient nature of the population in the complex, and fail to provide socio-economic diversity and stability provided by permanent ownership.

Table 7: Residents' tenure preferences (Pienaar and Crofton 2000)

Form of tenure preferred	Number	%
Immediate full ownership	118	36.20
Rental	88	26.99
Rent – to - own (Instalment sale)	120	36.81
Total	326	100.00

Conclusion

The Sethokga hostel conversion pilot project was initially designed to provide family rental housing in accordance with the government's institutional housing subsidy scheme. Results of the socio-economic survey conducted to determine residents' housing needs and affordability levels, and subsequent actions by residents themselves, indicated that this single-option approach, restricted to the provision of family rental housing, was not entirely appropriate.

Efforts to get the provincial housing board to accept and fund options that responded to the expressed needs, but did not comply with minimum norms and standards as laid down in the National Housing Code, were unsuccessful. Under political pressure from the National Department of Housing it was decided to conform to standards, and press on with the pilot. This decision, as borne out by the residents' actions in halting the project, was a mistake. The consequence of insisting on minimum norms and standards, and the lack of flexibility in the funding regime for hostels upgrading, is that residents are denied a variety of choice, as well as the opportunity to be part of an integrated and sustainable housing solution more finely tuned towards their needs.

If the conversion programme is to be successful, a more flexible approach from government is needed – one that combines the use of variable norms and a combination of subsidy instruments so that the planning and design of hostel upgrades and conversions can be tailored around real needs rather than the strictures of inflexible bureaucratic systems. Under such conditions hostels could start forming a valuable asset within the communities from which they have been isolated, and with whom some of them have lived in sometimes violent conflict for so long.

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