

QUICK
GUIDES
FOR
POLICY
MAKERS



housing the **poor** in African cities

UN HABITAT
FOR A BETTER URBAN FUTURE

Cities Alliance
CITIES WITHOUT SLUMS

7

RENTAL HOUSING:
A MUCH NEGLECTED HOUSING
OPTION FOR THE POOR

Quick Guide 7: Rental Housing

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All these contributions have shaped the Quick Guides series, which we hope will contribute to the daily work of policy makers in the sub-Saharan Africa region in their quest to improve housing and access to land for the urban poor.

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It is a common misperception that everyone wants to own a house. For many people, rental housing is a better option at some stage in their lives.

RENTAL HOUSING: A MUCH NEGLECTED HOUSING OPTION FOR THE POOR

QUICK GUIDE FOR POLICY MAKERS NUMBER 7

Millions of people in African cities are tenants. Rental housing may be only a partial answer to urban housing problems, but it is an important housing option – especially for the urban poor, and particularly in situations where people are not ready or able to buy or build houses of their own. Rental housing is an integral part of a well functioning housing market. In spite of this, governments in Africa have done little to support the improvement of rental housing which already exists or the expansion of affordable rental housing.

Rental housing markets are influenced by, and respond to, local economic and political conditions and regulatory frameworks, and operate very differently from city to city. Landlords and tenants develop and use rental housing in flexible and inventive ways to maximize the asset value of their properties and to satisfy their accommodation needs.

It is important that policy makers understand the intricacies of their cities' rental housing (both formal and informal) and know how to formulate effective, flexible policies to promote and regulate it. This guide presents the nature of rental housing markets and how they function. The issues of demand and supply of rental housing are discussed, including the concept of rent-free housing. The Guide considers the characteristics of good quality rental housing and sound landlord-tenant rental arrangements, and presents policy options to promote and regulate the expansion of rental housing – especially for the urban poor.

This Guide is not aimed at specialists, but aims to help build the capacities of national and local government officials and policy makers who need to quickly enhance their understanding of low-income housing issues.

HOUSING IN AFRICAN CITIES: TO OWN IT OR RENT IT?

In the past few decades, African governments have actively promoted homeownership through various means: subdividing new land, extending infrastructure and transport grids into new areas, making housing finance easier to access and more affordable to more people and smoothing the way for private sector housing developers. Expanding a city's stock of owned houses and apartments creates employment, stimulates local economies and is seen as contributing to social and political stability. In most places, homeownership has come to be seen as the most secure and most desired housing option and therefore ideal for Africa's urban citizens.

At the same time, rental housing suffers from a negative reputation: landlords are often perceived as being exploitative and only too happy to offer crowded and sub-

standard housing at the highest price they can squeeze from the vulnerable poor. Rental housing, especially at the lower end of the market, has also often been seen as being shrouded in illegality and as contributing to inner-city decay. The frequent eviction of tenants and their mobility have likewise been seen as potential sources of civic unrest.

But even so, great numbers of people who live in Africa's cities rent the housing they live in. In Kisumu, Kenya, 82% of households were living in rental accommodation in 1998; in the same year, 60% of households in Addis Ababa and 57% of those in Kumasi were also renting their homes.¹ Rental housing today makes up a large proportion of the urban housing stock in many African countries and in many other countries around the world.

WHY DO PEOPLE RENT?

For many people, the decision to rent their housing is a deliberate, reasoned choice. One reason may be because they can't afford to buy a house, but there are other, equally important reasons why they may choose to rent:

- Renting lets people stay mobile and move away when work is available elsewhere, without being tied down to any particular place or to regular house payments.
- Renting gives people flexibility in how they manage their household budgets, moving to cheaper housing when times are hard and to better housing, when their incomes increase, or freeing up more of their earnings for more essential needs like food, education, medical care or emergencies.
- Renting suits people during transitory periods of their lives, when they are not yet ready to settle down in one place.
- Renting is convenient for households who may not want to make the long-term financial commitment that comes with buying a house, or to face the long-term costs involved in repairing and maintaining their own house.
- Renting allows people to send more of their city earnings home to relatives, or to invest in buying land or building a house or business back in the village.

In a well functioning housing rental market, people can make rental choices based on one or more of these reasons, to suit their current needs and priorities. But where the rental options in a city are too limited or inflexible, the struggle to find affordable rental housing can lead to great economic and social hardship for urban dwellers.

RENTAL HOUSING: HOW PEOPLE EXPERIENCE IT IN CITIES

Rental housing is an important part of the housing market in all African cities. For large-scale property developers and investors, one way to earn money from the properties they own is to rent them out to short-term or long-term tenants. Landlords who operate in this market need to have access to major sources of finance for initial purchase of land and construction costs. Ongoing costs such as maintaining the buildings and paying managing agents are usually covered by the rentals charged for units in these properties.

The housing that small-scale landlords supply may come in the form of cheap rental rooms, apartments of various sizes, or rooms built with substandard construction on illegally subdivided land or partitioned within dilapidated older buildings. It could be a shack, a room built in a slum or behind the owner's house with shared services. It could be rented space within a shared room, or even the right to store one's belongings and occupy a certain space within a shared room for part of the day, according to the occupants' working times.



URBAN RENTAL STATISTICS ARE UNRELIABLE



Hundreds of millions of people in poor countries rent their homes.²

It is difficult to collect and compile comparable data on rental housing. Many countries keep records which do not separate rental housing from non-rental forms of housing which are not ownership, such as sharing. Sometimes the distinction is also hard to make, especially in some African countries where extended family households are still common, in which relatives and grown-up children with households of their own still live in the parental home. National rental statistics can also be misleading, since they may suggest overall national patterns of rental housing which hide local realities.

The proportion of rental housing tends to be much higher in cities than in rural areas, and also vary greatly between cities within the same country. Official statistics also do not capture the numbers of informal rentals in cities, where landlords make private arrangements with tenants. These arrangements can be exploitative, as tenants desperate for accommodation may need to agree to pay very high rentals for poor quality housing, and without tenure security. The difficult situations that these tenants experience are not recorded in the official picture of rental accommodation in the city.

THE HIDDEN NEED FOR RENTAL HOUSING: 'FAMILY HOUSES' IN WEST AFRICA

In many parts of West Africa, poor housing conditions are related to social ties and affiliations – many people rely on their relations to provide them with shelter. A homeowner in most West African societies is expected to accommodate every member of the extended family, rent free in 'family houses'. In Nigeria, traditionally, it is taboo to sell a family house, or indeed any house, compound or residential plot, where a head of family was buried. To sell such a property would be disregarded as a humiliation by members of the extended family.

The big advantage of the system, of course, is that few West Africans are homeless. Migrants have somewhere to stay when they move to the city. Adult children have somewhere to live when they grow up and raise their own children. In poor societies, this is a major advantage. As such, family houses provide accommodation for many of the poor and disadvantaged members of long-established families at almost no cost to themselves or to the state; they are thus a major resource in social welfare.

But sometimes the price paid for this is the poor quality of the accommodation. In Ghana, family houses form part of the "most neglected housing". However, in general it is recognised that such non-paying households are relatively well provided for: a higher proportion of people needing housing obtain it through this form than through commercial rental arrangements. Policy makers should therefore be mindful of the major contribution which family houses make in housing those on low incomes, and act to encourage and enable maintenance and provision of such housing rather than acting as if it is a vestige of a bygone age, of little relevance to the modern city.³

FOUR REASONS WHY RENTAL HOUSING IN CITIES TENDS TO BE INVISIBLE

1. **It is often hard to distinguish rental housing from owner-occupied housing.** Even in large purpose-built rental complexes, some units may get sold off to individual owners. There are people renting in densely built old city quarters, in public housing estates, in housing schemes for civil servants, in private sector subdivisions and condominiums. There are also many renters in slums and squatter settlements, in peri-urban land subdivisions and in semi-rural commuter settlements.
2. **Rental housing is dispersed all over the city.** Rental arrangements exist in
3. **It is hard to distinguish landlords from their tenants.** Many urban landlords tend to be small-scale entrepreneurs who live on the same premises as their tenants and who share a similar social and economic status. Poor landlords tend to rent out rooms to poor tenants, whereas better-off landlords

all parts of a city's housing market. As housing markets mature and housing options multiply, the possibilities for tenancy also multiply. In many cities, as the supply of rental housing for the poor increases, the role of exploitative slumlords tends to diminish.

rent to better-off tenants. It is often the case that the tenant earns more than the landlord, for whom renting out one or several rooms in his or her house may be the only source of income.

4. Both landlords and tenants often keep their rental relationship quiet.

This is to avoid taxes or government planning or zoning policies which put restrictions on renting. Because the rental agreements between landlord and tenant are personal in nature, the details are often kept secret from outsiders or even from other tenants on the same property.



A well kept secret: Because it is often hard to tell when housing is actually rental housing, policy interventions that specifically target rental housing tend to be

HOW DO PEOPLE ACCESS RENTAL HOUSING?

In some cities, access to rental housing may be linked to conditions such as income level, gender or enrolment as a student. Some public housing, for example, may be purpose-built for low-income tenants, but allotted conditionally to specific groups, such as slum evictees or shack-dwellers who have lost their houses through natural disasters. Some rental housing built by universities, charities or NGOs may be reserved for students, for women or for specific low-income groups. More generally, urban rental housing is usually accessed in one of these ways:

- Housing access based on open markets: In an open housing market, rental housing is accessed directly by anybody who can afford the rent the landlord is asking, and agrees to abide by whatever occupancy conditions the landlord stipulates.
- Housing access based on relationships: In many African cities undergoing rapid urbanization, urban poor households still have roots in villages, and many continue to provide temporary, rent-free (or low-rent) shelter to relatives and friends coming in from the village. This kind of arrangement is crucial for seasonal migrants who may stay and work for only part of the year.
- Housing access based on occupation: Construction labourers are often provided with basic housing on the construction site, domestic workers often stay with their employers and factory workers are sometimes provided with housing near the factory. Some government jobs also come with rental or rent-free accommodation.

EIGHT COMMON MYTHS ABOUT RENTAL HOUSING

1. **Everyone owns their homes in rich countries.** There is little relationship between a country's economic development and its levels of homeownership. Homeownership is actually lower in many rich European countries where well developed rental markets cater to the needs of all income groups who prefer to rent rather than to own.
2. **Everyone wants to be a homeowner.** All over the world, people are bombarded from every direction with the message that homeownership is the best and the most desired housing option. There are big advantages to owning your own home, but renting also offers its own benefits such as mobility, flexibility, lower investment and reduced commitment.
3. **Homeownership offers people a better life.** Ownership is often presented as more natural than renting — a form of tenure which makes people legitimate citizens, grounded in their neighbourhoods and their country's economic life. Rental housing, on the other hand, is presented as exploitative, sub-standard and temporary places where poorer citizens stay. But homeownership has its problems, just as rental housing has its advantages. Good quality rental housing with secure tenure agreements can provide the most favourable living conditions for many urban citizens.
4. **Nobody invests in rental housing.** Investing in rental housing may not be as attractive to private sector businesses and public sector agencies as it once was. But at the same time, in many African cities, investments by individual landlords in small, scattered, independent rental units have increased dramatically. Tenants are also often willing to invest in upgrading their rental homes, if they know that their tenure agreements are secure.
5. **Renting is inequitable.** In the days when most landlords were the rich elites and most tenants were poor, rental housing was indeed inequitable. Today, however, rich landlords tend to rent to rich tenants, and poor landlords to poor tenants. Especially among the poor, the landlord-tenant relationship is often one of mutual dependence. Exploitative landlords do exist, but it is possible for laws and policies to be implemented to protect tenants from bad landlords.
6. **Governments should prohibit poor quality rental housing.** Many tenants live in crowded, under-serviced and dilapidated housing, because that is all they can afford. Often, governments respond by demolishing this housing, but that only makes housing problems worse and leads to even greater overcrowding elsewhere. A much better approach is to facilitate improvement and the expansion of existing rental housing.
7. **Mobility is bad for the poor.** Low-income tenants are often people who need to be free to move from one place to another, to take advantage of job possibilities and better economic conditions that become available in different places. For them, mobility means survival, and flexible rental housing is essential.
8. **Homeownership encourages the emergence of a politically stable society.** In the USA, tenants were not allowed to vote until 1860, because homeowners were considered to be better citizens, better neighbours and even better persons. This kind of thinking influences many policy makers as well, who see tenants as people who are transient, poor, unsettled and undesirable, not as valuable workers and citizens who need flexibility and mobility.⁴

WHO ARE THE LANDLORDS?

Landlords in African countries include companies and individuals, rich and poor persons operating both in the formal and informal sectors, private sector and public sector housing agencies, as well as government departments. Private sector landlords include: investors who build rental units on vacant land and rent them out; investors who buy developer-built houses and rent them out; and owner-occupants who provide rental units on part of their land or within their own houses. The only difference between formal and informal sector landlords is that formal sector landlords have acquired ownership and building rights within the state's regulatory framework, whereas informal sector landlords have not.

Landlords can also be classified according to the scale of their operations. Some landlords with access to big capital may develop hundreds of rental units on various pieces of land, while others may be individual households or retired persons who operate on a very small scale, with one or two rental rooms inside or at the back of their own house. Small-scale landlords provide a large proportion of rental housing in African cities. Many landlords tend to gradually make more and more money through their rental businesses, but shift back and forth between the various categories described below, which also describe different investment scenarios.

Four types of landlords

1. **Household landlords** may have inherited some vacant land, or have spare rooms available because the household separated, relatives died or children moved elsewhere. Or they may have left their own house and moved into employer-provided housing. The income from rental housing may help them to meet basic needs, to pay instalments on their property, or cover the expense of repairs, maintenance or improvements. Rental income may serve as a safety net against their unstable employment. It may also serve as a substitute pension after retirement, or as an investment for the next generation.
2. **Commercial landlords** are similar to household landlords, but they operate in a more professional way. They have more capital to invest, their rental business is on a larger scale and they may employ professional staff to manage their rental units. They may target middle- or high-income tenants rather than low-income groups, and operate in a formal way, using written rental contracts and following the building and safety standards.

They may use different strategies to maximize return on their investments and to minimize their taxes. These are not necessarily tycoons, but could be people who want to secure the future for themselves and their children. Commercial landlords also include the exploitative "slum lords" operating in informal settlements in Nairobi and other large African cities.
3. **Public sector landlords** may include

government departments and land-owning agencies, and their rental arrangements may cover purpose-built social housing for low-income tenants and institutional housing provided as a fringe benefit to civil servants in various government departments.

4. Employer landlords are landlords whose motive is not profit. They might include factories and large companies providing rental rooms for their workers, hospitals providing rental rooms for their nurses, or universities providing rental housing for students and faculty members.

WOMEN AS LANDLORDS



Both men and women act as landlords in the African context, sometimes in partnership and sometimes on their own. Whether male or female landlords dominate the rental housing market depends greatly on local custom and on the demography of the city. In Nairobi, for example, more men are landlords than women, probably because many more men are found among the political and administrative class that control landlordism in that city. However, “slum landladies” are also a common phenomenon.

Elsewhere, there are often more landladies than landlords. In Botswana, there are

more female than male landlords in official housing projects, and in South Africa more women rent out accommodation in the backyards of council houses, mainly because so many men have died or forsaken their families.

Where women handle domestic affairs, they also tend to deal with tenants in small-scale rental situations, even if a man is the official owner of the property. Many widows and separated women also opt to rent out part of their houses or develop new rental units to supplement their incomes. Divorce settlements and lines of inheritance can play

a role here, as does age: because women tend to live longer than men, they often rent out the property they inherit.

Small-scale landlordism is sometimes the only available source of income for women, either because they have not been able to acquire the training to take on other income-generating activities, or because they do not have access to finance that would

allow them to set up a small business in the settlement where they live. For women who need to be at home to take care of children, elderly or sick members of the family, renting out part of the property to tenants can be an economic lifeline, especially where there is no other income source for the household.⁵

WHAT MAKES FOR GOOD RENTAL ACCOMMODATION?

Although low-income tenants may choose not to own their homes, or not be able to afford to do so, in many other respects their accommodation needs are the same as those of homeowners. This section examines how rental housing needs to respond to these needs in order to provide good quality accommodation for tenants.

FACTOR 1: Quality of the rental housing

- The quality and durability of the building materials: Most of the rental housing available to the urban poor is not of high quality, since the materials that went into these housing units tend to be the cheapest available. As a consequence, the rental units are weak, low-quality and prone to maintenance problems.
- The level of maintenance: The theory goes that lack of proper maintenance makes the quality of rental housing inferior to owner-occupied housing. Timely maintenance depends a lot on where the landlord lives and how good the landlord-tenant relationship is.

Landlords who live on the premises and have friendly relations with their tenants tend to take better care of their rental units than absentee landlords do. Public sector social housing managers, for example, tend to be slower to react to maintenance needs than private estate managers.

- The level of crowding: It is common that low-income rental units (whether single rooms, apartments or houses) have many persons squeezed into small spaces. High rents often mean that poor tenants can only afford accommodation by crowding more people into a small space and sharing the rent. Different cultures have different conceptions of what constitutes crowding. In some cultures, living with many family members is preferable to living in small family units, or at least tolerated. But it is clear that overcrowding is often a problem, especially in situations where tenants have different needs – for example women with young children having to live in crowded rental units with other people.

FACTOR 2: Access to jobs and public services

Another attribute of rental housing which can have a considerable effect on its value is its proximity to places of employment, transport, schools, health care, markets, places of worship and other neighbourhood-level social infrastructure. If residents have to travel long distances to earn money or to resolve other essential household needs, it means time lost and extra money spent. And that can easily unbalance precarious household expenditure and seriously compromise a household's ability to survive.

Public services and neighbourhood amenities are usually more accessible and in greater variety in inner-city locations. That is why the rent for units in central areas of the city is usually higher than in peripheral areas where jobs and public services are farther away. Investors and property developers understand very well the importance of location in determining the value of and demand for housing. For the urban poor, as well, location is probably the single most important factor in the choice of housing — whether it is owner-occupied or rental housing. The problem is that market pressures on inner-city land make it difficult to sustain low-income rental housing in city-centre locations, when more commercial uses of the same land offer both private and public landowners the attraction of higher incomes.

Informal settlements in peripheral areas tend to be built fairly close to growth centres where jobs and transport are not too far away, and other public services are beginning to appear. These pioneering settlements in peripheral areas of the city also become important sources of rental accommodation of various sorts, and as the city grows over time, the access to public services in these settlements — and their rental units — will improve.

FACTOR 3: Access to basic infrastructure

The demand for (and consequently the value of) a rental housing unit can also be measured by how easy it is for the tenants to get access to utilities such as electricity, water and sanitation. Self-contained apartments, rooms and houses tend to have the easiest access, whereas rooms with shared access to services do not always do so well. The popularity of rental housing diminishes considerably as access to utilities gets farther away from the room or is not permanently available. Rental units in slums, squatter settlements and illegally subdivided tenement structures tend to have the greatest problems of access to basic services. This is often because accessing municipal electricity and water supply is contingent upon having some legal status or house registration, which many rental units do not have. In these cases, tenants are likely to be forced to share utilities and utility areas such as toilets, washing and cooking spaces with others, or else pay higher rates for informal electricity and water connections from nearby houses and businesses.



UPGRADING OF INFORMAL SETTLEMENTS OFTEN BYPASSES RENTAL ACCOMMODATION

Upgrading programmes are themselves an excellent means by which to increase the supply of rental housing in low-income settlements. The provision of water, electricity and schools, the improvement of transport links, and the integration of self-help settlements into the urban fabric attract tenants and encourage the creation of more rental housing. Studies from many countries have demonstrated that tenants wish to move into improved neighbourhoods and that owners respond positively to the increased demand for housing. Not only does the upgrading of informal settlements improve the quality of owners' lives, it also increases their opportunities for generating income from letting rooms.

Unfortunately, upgrading projects all too often ignore the effects both on the existing tenant population and in terms of the opportunities for generating more rental accommodation. Those who plan, implement, finance and study urban upgrading programmes frequently fail even to mention tenants.

What seems essential in future is that managers of urban upgrading programmes be made aware of the presence of tenants and of the potential for increasing rental accommodation. They should take tenants into consideration in planning the programme because upgrading can create tension between owners and tenants. Since tenants are generally less motivated to join community projects than homeowners, community organizations must be encouraged to include more members from among the tenants.⁶

FACTOR 4: Location and social support systems

Uncertain and irregular employment, varying sources of income and unexpected expenditures can all force poor tenants to rely extensively on their families and on the informal support networks in their communities when crises occur. At the same time, their low incomes make it important to minimize unnecessary expenses on utilities, services or transport, which can also sometimes be done by staying with or close to their relatives. When all these needs and constraints are added together, it is clear that the best place for the poor to live is near their social support networks. Since most of these relationships are settlement-based and formed over time, location is important.

FACTOR 5: Responsiveness to tenants' mobility patterns

Besides temporary labourers, seasonal migrants and short-term factory workers, a lot of poor people who are working in the city have good reasons to rent their housing and to avoid being tied down to homeownership at a certain point in their lives, either because the time is not right to invest in housing, or because they may wish to remain mobile, or because they have other priorities.

Moving in and out of cities has become an inherent part of life for many Africans – people move constantly between the city and the rural areas, or between different cities. Whether they come for higher education, to find a job, or to seek health care, most people will need flexible accommodation in the city which, most frequently, is provided in the form of rental housing.

Fresh graduates and young people wanting to gain experience are always on the lookout for new and better-paid jobs and may find it advantageous to change jobs frequently. Young tenants may base their housing choices on the possibility of leaving at short notice and with a minimum of formalities. Single people may want to save enough money to settle down elsewhere later. Others may wish to settle down in the city once they have found stable employment.

This mobility is a crucial part of many people's lives and an important part of the country's economic and human resource development. As these people come into cities they all require housing, and rental housing at the right price and in the right location is an important option for many.

FACTOR 6: A tenant's income level

People's motivation to rent is usually linked explicitly to their long-term security, as it is for people who seek homeownership. The

only difference is that because low-income tenants lack long-term security of income, they may opt to set aside whatever money they can for investments other than housing, such as supporting an extended family or saving to pay for education. The need to rent can arise from different priorities, and for this reason, the affordability of rental accommodation is directly tied to the cost of meeting these long-term priority needs. The lower a tenant's income level, the less he or she will be able to allocate to rental, relative to funds set aside for achieving other long-term goals.

FACTOR 7: A tenant's stage in the life cycle

Rental and shared housing is often a feature of the earlier stages of people's lives. Tenants tend to be younger than homeowners and are often single — students, recent migrants, wage-workers, factory workers or professionals. Couples who rent tend to have fewer children than owners. Sharers are similar to renters, but they have friends,



fellow employees or relatives who are able to provide them with accommodation, whereas tenants may not have such options to fall back on.

As improvements in medical care lead to declining mortality rates and increasing life-spans, households are now commonly spanning three or four generations. That means there are more people to take care of, increasing pressures on households. This may result in households deciding to rent space in their house to others, or it may mean that younger household members move out to rental accommodation. For young families, rental housing is often their first step into the housing market, with the eventual goal of homeownership.

Declining birth rates, HIV and AIDS, and growing rates of separation and divorce amongst married couples also have an effect on household composition and cohe-



sion, and therefore on housing demand. The increase in female-headed households, for example, often means more low-income households, which require flexible, affordable rental housing.

HOW DO LANDLORDS AND TENANTS WORK OUT THEIR RENTAL ARRANGEMENTS?

The rental amount a landlord charges will depend on the quality of the accommodation itself, as well as the quality of the larger environment, including the unit's access to basic infrastructure, public services, neighbourhood amenities and jobs. In most rental arrangements, the rental rate will be set at a level which allows the landlord to profit from the rental unit and to have a return on the investment, by earning more than the amount invested in constructing the rental unit and the maintenance costs. But in cases of subsidized public sector housing, the rental rates may be lower than what is required to recover the original investment.

Landlords tend to argue that rents are too low, whereas tenants, and their associations, argue that they are too high. Part of the problem about rent levels relates to what is meant by rents being "too high". Sometimes, rents make up a very high proportion of the tenant's income but are nonetheless still too low for landlords to make a profit or even pay for maintenance of the property.

If a tenant household cannot pay the rent being charged, the market would suggest that either the rent must fall or the household must leave, voluntarily or through eviction. If the rent falls, and landlords receive a smaller income, the danger is that the quality

of the housing supply will decline. A further problem is that when there is a substantial difference between the level of rent that will encourage landlords to rent out property and the ability or willingness of rental households to pay that level of rent, landlords will stop investing in rental housing. Similarly, if landlords measure rent levels against what is required to match the returns from other kinds of investment opportunity and poor tenants measure the rents against what they are able to pay, there will often be a mismatch.

How do tenants pay their rent?

Most rental agreements require the tenant to pay a fixed sum of money to the landlord on a monthly basis. In addition, the tenant usually has to deposit “key money” with the landlord on first taking occupation of the accommodation – an amount equal to one,

two or more months’ rental, to be kept by the landlord if the tenant defaults on payments, or damages the property. In some countries tenants have to pay a very large advance on rental, to protect the landlord from losses if they fail to make monthly or weekly payments; in Ghana, for example, the tenant may have to pay up to three years’ rental at the outset, to secure the accommodation.

Low-income tenants face great difficulty in accumulating the lump sums needed to pay key money or a big advance. Policy makers, savings collectives and private sector finance institutions can help tenants to meet their rental costs by developing financial tools to protect landlords against loss of rental, while helping tenants to save money for regular rental payments. (See *Quick Guide 5 on Housing Finance*.)

HOW THE DURATION OF RENTAL AGREEMENTS IS NEGOTIATED

Another important variable in rental housing arrangements is the duration of the rental agreement. A rental contract can be made for a specific period of time – such as a month, a year, five years or even longer. In some countries lease periods are limited by specific laws, but can be renewed once the contract period has expired. Rental housing contracts may be made as verbal agreements or involve some simple paper lease contract, which both landlord and tenant sign. Some types of longer-term rental agreements require a written contract, sometimes even with some official registration of the contract. For some landlords and some tenants, a short-term rental agreement may be the most suitable one.

Landlords may need to generate income from a vacant room or house for a short period, before selling the property. Tenants may not want to commit themselves to staying in one settlement or city for a long time. These short-term arrangements are one of the reasons why rental housing is such a useful part of the urban housing market.

But short-term agreements can also lead to a lack of maintenance of the property, as tenants may feel too insecure with a short-tenure lease to invest time and money in keeping the premises in good repair. Secure long-term tenure, on the other hand, creates conditions in which tenants are more willing to take responsibility for keeping their rental accommodation in good condition.

LANDLORD-TENANT RELATIONSHIPS

The relationship between the landlord and the tenant is based on an agreement. While their relationship is usually reasonable, some common problems are experienced in African cities:

- The landlords complain that their tenants don't take good care of the rental housing, pay their rent late, misbehave in general and don't understand that rising costs of utilities, maintenance and repairs make it necessary to raise the rent.
- The tenants complain that their landlords fail to maintain the housing properly, don't repair things when they break, charge unfairly high fees for utilities, increase the rent without warning, turn hostile when the rent is paid a little late, threaten eviction or fail to return security deposits when they move out.

Many rental agreements between landlords and tenants are personal and informal in nature, concluded outside of any government regulatory framework or formal legal system. This informality and lack of official documentation makes going to court an extremely impractical way of dealing with landlord-tenant conflicts. In some cases, landlords will try to avoid problems by only accepting tenants who have been recommended by people they know. But in other cases, landlords use a different strategy and actively seek to attract strangers and outsiders, because they want to avoid being too close to their tenants to maintain a more business-like relationship, in the hopes that the tenants will take care of their rental unit, respect the rental conditions and leave when they are asked to.

There can also be a "dark side" to the informal agreements between tenants and

small-scale landlords, where a landlord takes advantage of the lack of a written contract to constantly raise the rent, squeeze more and more tenants into limited space, let the building deteriorate into slum conditions, or in other ways disregard the needs of tenants and the terms of their agreement. Where there is a serious shortage of low-income housing in a city, unscrupulous landlords will know that tenants have little option but to put up with exploitative and often illegal rental conditions, because they lack the resources to find better housing or challenge the landlord's actions using the legal system.

Resident landlords

Relations are often better when landlords live in the same building or on the same land as their tenants. To prospective tenants, it may be reassuring to have a resident landlord, who will be closer at hand to ensure good services and help discover the neighbourhood's social infrastructure. Rental housing with resident landlords also has the reputation of being better serviced and better maintained, which in turn makes for fewer landlord-tenant tensions.



WHEN TENANTS ARE THEIR OWN LANDLORDS

For the poor, the collective support networks of the communities they live in are an important survival mechanism, which helps them to meet the needs and resolve problems they cannot deal with individually. Cooperative housing is one form of collective support that offers advantages because it pools resources to lower individual housing costs, fosters collective action and self-help, increases the creditworthiness of low-income households, and limits or prevents speculation.⁷ This experience has not been widespread in Africa but in recent years there has been some evidence of tenant cooperatives emerging in some African cities.

A housing cooperative is an association that collectively owns and/or rents and governs their housing on a not-for-profit basis. Ideally, it works on the basis of providing affordable ownership of housing for its members. Credit and reference checks are carried out on all prospective members. They are required to attend information and training sessions before they can become members. Their membership gives them a share in the housing cooperative and they share the costs of financing and managing it. They have a right to live in housing owned by the cooperative, and to sign a Use Agreement with it. This makes them part-owners and part-tenants of the cooperative.

Governments' support for cooperatives varies. At times it is limited to just financial support. In Egypt, until recently, the government subsidized 40-year loans, at an interest rate of 5–6%, to lower-income groups through cooperatives. In Ethiopia, there have been



more substantial forms of support for cooperative housing at different times in the country's post-revolution history. A new urban housing policy was introduced in 1986, which included measures such as providing standard house plans free of charge to cooperatives, cutting the maximum plot size from 500 m² to 250 m², creating a government enterprise to provide building materials to cooperatives at controlled prices, and reducing bureaucratic delays to legalising cooperative membership.⁸ This approach was subsequently overtaken by the Condominium Housing Programme which led to the unintended promotion of private rental housing because the intended beneficiaries could not service the debts associated with it and then started to rent it out to higher income groups.

THE SUPPLY OF RENTAL HOUSING

1. PUBLIC RENTAL HOUSING:

Large-scale government-built housing has generally been negligible in African countries. In some African countries, for example Kenya, Malawi and Tanzania, a good number of rental housing schemes were created to provide subsidized accommodation within local authority jurisdictions, mostly through ‘national housing corporations’. Elsewhere in Africa government rhetoric greatly outweighed any achievement on the ground; in Nigeria, for example, although public housing was warmly embraced by official rhetoric very few housing units were produced even during the height of the oil boom.

Where governments have attempted at one time or another to provide housing for portions of their population, one way of doing this was to develop and provide rental or rent-free housing units to the families of public sector employees, including the armed forces, police officers, civil servants or employees of various government agencies. Another way was to develop and deliver public or subsidized housing, which provided rental units to vulnerable low-income groups, including migrants, slum evictees or fire victims. But since the investment cost of these public housing initiatives was too high for governments to construct enough units to satisfy the real housing needs, there were bound to be problems with allocating those units that were built. In many cases, formal selection criteria were not able to avoid instances of nepotism, patronage, favouritism based on party membership or outright corruption, and as a result, the projects excluded the households most in need. And, in spite of generous subsidies, the rents in many of these public housing projects were still too high for the poorest households

to afford. Many government agencies also proved to be rather inefficient landlords, and quickly ran into financial difficulties because rents were often set too low and seldom rose as rapidly as prices. In the end, the required investment, problems in allocation and failure to carry out adequate maintenance – resulting in buildings rapidly falling into disrepair – often made governments decide to sell off the units to households outside the original target group.

The growing need for governments to be “financially responsible” quickly discouraged further rental housing developments. In most African countries, from the middle 1980s local authorities stopped investing in rental housing and, during the 1990s, almost all government and corporation houses were sold. The debt crisis of 1982 and the subsequent need for economic restructuring meant that few governments in Africa had money for housing programmes. When some kind of recovery began in the 1990s, it was generally argued that governments should stay out of the housing arena – if they wished to help poor people obtain housing, the only suitable way was through providing up-front capital subsidies for the purchase of low-cost housing in the market.⁹

2. PRIVATE RENTAL HOUSING:

As a result of the problems associated with public housing production and delivery, state involvement in housing has been declining in most African countries. And the private sector (both formal and informal) has come to be the major producer of most urban rental housing for upper, moderate and low-income households, sometimes supported by the state.

TRANSFORMATIONS IN GHANA AND ZIMBABWE: RESIDENTS CREATE NEW RENTAL UNITS

Many countries in sub-Saharan Africa have large stocks of government-built houses, which for various reasons are in poor physical condition or don't conform to occupants' expectations. In many countries, occupants of such housing make unauthorized but quite considerable changes and extensions to their dwellings for their own use and for renting out. These changes and extensions are generally known as 'transformations', and can offer useful models for future policy concerning existing housing estates and new developments. A study completed of 398 houses in Ghana and 335 in Zimbabwe showed how relatively low-income households are capable of supplying new rooms and services both to improve their own housing conditions and to supply rental rooms for family members living rent free. In addition, the new construction is often of a quality at least as good as the original structures and sometimes envelops the original in a new skin. Thus, transformation can be seen as a means of renewing the housing stock at the same time as adding accommodation and services.

In both Ghana and Zimbabwe the estates were originally built as subsidized rental housing for local workers, but dwellings had been sold to the sitting tenants. In Ghana, the main motive for extending was the need to accommodate growing households, although many did include rooms for rental. In contrast, about half of the Zimbabwe extensions were motivated by the possibility of rental income.

One of the benefits of transformations is that they allow more people to live within the currently built-up area of the city, and so reduce the demand for peripheral development. In this way they make more efficient use of existing urban space, instead of adding to the inefficient sprawl.

There is a difference between the types of renting rooms built in the two countries. In Zimbabwe, renting rooms in the dwelling is a business venture for at least some profit. Seventy per cent of transformed houses have tenants, and on average there are three households per house. In Ghana, however, where rents are low and renting rooms to tenants is not normally a business venture, only 27% of transformed houses have renters, while 33% of them have rent-free (family) occupants.

In both instances, occupancy rates improve with transformation, and transformation can be seen as a process in which households improve their own use of living space and that of other residents in their houses. This is one of the best arguments in favour of transformations as a positive way to develop and improve housing quality and supply, and this approach should be encouraged in countries that have a great need for housing.¹⁰

MIGRANTS AND RENTAL ACCOMMODATION

In many urban settings in Africa, complex letting and subletting arrangements evolve amongst people living permanently in the city and migrants arriving from rural areas. Sharing of rented rooms takes place in Khar-toum, Lagos and many parts of West Africa. Sleeping spaces may be rented in the store-rooms of commercial enterprises or in guest houses and hostels. In South Africa, hostels were constructed during the apartheid era by private companies and the state to accommodate single black men or women for the duration of their stay as labourers in urban areas – they were not allowed to bring their families to settle in the cities. Several hundred thousand people still live in these hostels, often in appalling and overcrowded conditions. It is quite common for up to 7 people to share a room of less than 10 m² and for up to 16 families to share a toilet.

In Botswana, the failure of formal public and private organizations to meet the demand for homeownership throughout the 1990s, the progressive stripping away of subsidies for homeownership, and the decision to sell plots to urban residents has escalated demand for, and pressure on, alternative forms of tenure such as renting. Many homeowners in the sites-and-service areas have therefore built additional, unauthorized rooms in their backyards to rent out. In the more affluent parts of Gaborone where local authorities have provided “servant’s quarters” for the high-income estates, such quarters are increasingly being sublet by tenants to people earning higher incomes whose housing needs have not adequately been met by the municipality. Heightened demand for rentals has resulted



in rent levels rising, with rents in some parts of the city consuming over 50% of average income.

In these difficult conditions, tenants have had to develop a range of strategies to meet their housing needs, including sharing with relatives. The shift from being tenants to sharers has led to a decline in housing standards, with many people now sleeping in kitchens and sitting rooms with other sharers and/or their hosts’ children. Another strategy is to move to peripheral villages and towns in search of more affordable rental accommodation or cheaper land. This has placed high pressures on peri-urban and village land, and raised transport costs for those who have to look further and further afield. A final strategy of tenants is that of land invasions, which have become common since the early 1990s.¹¹

HOW MUCH RENT TO CHARGE?

For commercial landlords, the rents they charge their tenants are critical in the decision about whether to set up, expand or discontinue a rental business. If the rent is too low, it may affect the quality of the accommodation by restricting the amount a landlord can spend on maintenance, amenities and repairs. If rents are too high, units may stay empty or tenants may seek cheaper housing elsewhere or have to be evicted when they can't pay.

Some commercial landlords are satisfied with fairly low rents because they consider rental property a long-term investment and anticipate a value increase of the property. Since rental payments are closely linked to a tenant's real income, landlords stand to lose if a tenant's income drops so low that he or she can't afford to keep paying the rent, and the landlord is left with a difficult decision to either evict the tenant (and forsake the chance of any income at all) or keep the tenant and hope he or she will be able to pay the rent arrears later on.

Rental housing specialists suggest that a reasonable level of monthly income from a rental unit should be about 1% of the market sale price of that unit. The fact that rent levels are tied to property prices means that rents can go up as land values rise or as macro-economic forces influence property prices. These market forces put formal rental housing out of reach of most poor households. That's why informal rental housing alternatives in slums and squatter settlements make up such a large portion of most African cities' rental housing stock. When housing is developed outside the formal system, it may have all kinds of drawbacks, but the main point is that it is more affordable.

Small-scale (household) landlords have a different set of factors to consider, when deciding how much rent to charge their tenants. While affluent property owners may rent out a second house or a vacant piece of land they own at the highest possible rental to high-income tenants, most small-scale landlords are found in low-income settlements, where they rent out part of their own home to supplement their limited income. Their tenants are unlikely to be able to pay rentals at the same levels as higher-income tenants, and the landlords may be willing to accept a lower rental than this simply to meet their own basic needs.

The 25% rule: Some housing specialists suggest that rental housing is affordable if a household spends no more than 25% of its monthly income on rent. This rule of thumb loses its meaning as you go down the economic ladder, where the only rule is that the poorer you are, the greater proportion of your monthly income you are likely to pay for housing and basic services.

In South Africa, almost 50% of township landlords, especially those in informal settlements, the income earned from renting to tenants is their sole or main income, and apart from owning property, these landlords are among the most marginalised groups in society: poor, aged women with minimal sources of regular income. Rentals are mostly paid in cash, but can also take the form of, for instance, the purchase of electricity for the household, or payments in kind such as undertaking regular chores or preparing meals. The majority of these landlords include the service charges for water and electricity in the rent rather than charging for them separately.¹²

RENT CONTROL: IS IT AN OPTION?

Over the years, some African governments have tried to achieve housing affordability by forcing landlords to keep rents low. The introduction of such controls sometimes represented a genuine effort to help tenants, and some governments in newly independent African countries introduced rent controls as part of an ideological commitment to socialism. Rent control was seen to be an effective way of protecting poorer groups from exploitation by the rich. At times, governments used socialist rhetoric and mechanisms such as rent control as part of a strategy of winning elections.

Arguably, however, many governments maintained those controls as a façade to hide the lack of an effective housing programme. Public housing construction programmes were expensive, whereas rent controls cost the state nothing, as they placed the financial burden of renting out housing units at low profit or no profit on the landlords who owned them. In addition, since tenants greatly outnumbered landlords, it was not always that easy to remove rent controls.

However, in recent years, rent controls have been discredited, as some negative effects that they have on the rental housing supply in cities have become evident. Some of the main problems with rent control are:

- **Equity:** Rent controls can operate inequitably in three ways. Firstly, they favour some tenants at the expense of others. In particular, they tend to favour those who have lived in rental housing for years against those who wish to become tenants. When rent controls apply only to sitting tenants, new tenants lose out. Secondly, there is no guarantee that those covered by rent controls are actually poor. For example, if the legislation
- only covers sitting tenants and these are more affluent than new tenants, the result is to give a rental advantage to those who need it least. Thirdly, tenants clearly gain at the expense of landlords. And in cases where tenants are more affluent than the landlords, the effects of rent control are the reverse of what is intended. For example, artificially low rents in Egypt have meant that tenants are sitting on a significant asset and the only way an owner can reclaim the unit – besides waiting for the death of the tenant and his or her children – is to offer a sizeable cash incentive (sometimes approaching the market value of the unit) for the tenant to renounce the contract and leave.
- **Efficiency:** By distorting market values, rent control often encourages the inefficient use of housing. For example, small tenant households may occupy housing that is much larger than they require, and for which they would not be prepared to pay the market price, limiting the availability of accommodation to larger households. More importantly, by holding down profits, rent controls discourage some landlords from investing in rental property.
- **Maintenance:** Where rent control makes rental housing unprofitable, a regular complaint has been that landlords do not maintain the property. Rent controlled buildings in cities often deteriorate to slum conditions, for this reason.¹³

POLICIES WHICH REGULATE RENTAL HOUSING IN AFRICAN CITIES

There are four major problems with rental housing arrangements:

1. Housing policies are often biased in favour of homeowners and fail to take the needs of tenants into account. A lack of policies that protect the rights of tenants can increase the risk of them being exploited by unscrupulous landlords.
2. When rental housing conditions are poor, the problem is not usually with the rental arrangement itself. Rather, it is related to the state of a city's overall housing conditions and the complex factors which cause poor living conditions and poverty in general.
3. Because so much of rental housing is informal and largely "invisible", a lot of it falls outside the control of government rules and regulations. This has allowed for a great diversity and flexibility in rental housing markets, but at the same time has made it more difficult to plan policy recommendations and interventions to support rental housing.
4. Housing policies that don't include conditions for acceptable rental agreements lead to situations in which landlords and tenants must struggle to claim their rights when an agreement is breached. Absence of enforceable written contracts and efficient arbitration systems means that the cost of going to court to claim unpaid rent, fight illegal evictions, or force landlords to do necessary maintenance must be borne by individual tenants and landlords, who usually don't have the resources to do so.

Using policies to promote rental housing in a city

If national governments can acknowledge the gaps in their existing housing policies, and adjust their regulatory frameworks to give more support to the aspects of ongoing rental practices that work well, it will help a lot to tap the enormous potential of both the formal and informal rental housing markets.

Where there is political will to improve a city's housing policies and make them more "renter-friendly" in the long term, a good start would be to promote more competition in housing markets in the short term. Greater competition would mean more options and greater flexibility in what kinds of rental units are available. This could be done in a number of ways.

On the supply side, policies could be developed which reduce obstacles to the production of more rental housing so the supply and variety increase. For example, if homeowners were offered incentives to build one rental unit on their property, this would lead to a new supply of units emerging in all parts of the city, suitable for tenants with different income levels and rental needs. It is important to make sure that rental supply exists to meet the needs of middle-income tenants in the city, so that this income group does not end up taking over the available supply of housing designed to be affordable for low-income households.

On the demand side, policies which can enable more households to rent might include ones that encourage landlords to offer secure long-term tenure to tenants. This would make it possible for people to see renting housing as a safe option, and tenants would be likely to invest more care and resources in the maintenance of their rental housing if they knew they would be able to stay there over the long term.

SIX WAYS TO PROMOTE RENTAL HOUSING THROUGH HOUSING POLICIES

A strategic approach to developing a workable rental housing policy should first acknowledge the rental arrangements which already exist and find flexible, realistic ways to regulate them. In most cities rental housing arrangements contribute enormously to local livelihoods, and so measures to govern and promote their further development should be formulated. Local dynamics and housing market conditions are different in every city, and there is no single formula for how to do this. But the following six suggestions will help policy makers and government agencies to make their cities more rental housing-friendly — especially for the poor.

1. Acknowledge and understand existing rental practices

Civil society organizations, NGOs and community organizations, as well as some civil servants and politicians, are all aware of the rental housing options in their cities. Their combined understanding represents a valuable local resource which can be channelled into making rental housing practices more balanced, more inclusive and more effective. But before rental housing problems can be solved, local groups need to work together to create a common understanding amongst different communities about tenure issues in the city. One way to raise interest is by making an inventory of the local rental housing stock. This inventory should include both formal and informal arrangements and occupied and unoccupied rental units. Local organizations can establish this inventory jointly, exchange

perspectives on their local rental markets and work together to identify and analyze the problems. The results should be spread around in the widest possible way, so as to widen the local debate on housing tenure options and concerns. To keep up the momentum, data on rental housing should be updated regularly, and changes in the housing situation should be closely monitored. This inventory can provide important baseline information for better planning and housing interventions.

2. Get rental housing on the larger urban policy agenda

Once local organizations have collectively acknowledged the rental situation in their cities, the next step is to open up the issue to public discussion and to gather more detailed information on the inner workings of rental housing, including the larger economic, political and social factors which affect rental supply and demand. Identifying bottlenecks as well as successes in achieving lasting rental arrangements should be given special attention. The information gained in this way could help to identify the social and political influences that underlie rental housing arrangements in a city, so that these can be incorporated in the debate and balanced where they are working against a healthy rental housing situation. At this point, urban policy makers will be in a better position to estimate how important rental housing is in the local context. While monitoring developments in the overall housing market, they can put rental housing on the policy agenda, either as an

issue that merely needs to be regulated or as a priority that needs to be actively promoted.

Supporting and improving on what is already there: Some of the best policies are those that support and improve the systems of rental housing delivery that are in place and already working well. Policies which seek to introduce something new often end up destroying or hindering these already functioning systems, or forcing them to go underground.

3. Work out practical, flexible rental housing policies and regulations

In the policy-making process, it is essential for decision makers to maintain a constant and meaningful dialogue with a broad spectrum of local community organizations, NGOs and civil society organizations and other development stakeholders, to ensure that the rental housing policy framework they develop matches the specific realities and needs of the local context. Existing and potential landlords often feel threatened by government policies and regulations that either give tenants the right to claim a house that has been rented to them illegally, or don't sufficiently protect them when tenants fail to pay rent. The adoption of rental policies and regulations that protect the rights of both tenants and landlords will go some way in encouraging landlords to invest more in rental housing. The framework should include means and incentives that encourage the production, exchange and consumption of a variety of rental housing options. It should also include a system of checks and penalties to curb mismanagement or abusive practices within a city's rental housing market, and to prevent the deterioration of its rental

housing stock through lack of maintenance or repairs.

The policy should also address the need to inform both tenants and landlords of their legal rights and obligations relating to the rental contract, and to provide support where either party needs to take legal action to assert their rights. Information, advice and proactive campaigns to increase awareness of these rental tenure rights should form part of the ongoing work of the municipality in relation to urban housing administration.

It is important that this regulatory framework is simple, practical and easy to apply. If a specialized administrative unit has to be set up to implement the rental housing policy, it probably means the policy is too complicated to be practical. A better option would be to integrate the policy into a city's existing administrative procedures, such as issuing building permits and house registrations, measuring water and electricity consumption or collecting rental income taxes. It is also important that the policy framework is flexible in these three ways:

- a. The implementation of measures and incentives in the policy framework should be flexible enough to cover a wide range of tenant target groups (of all incomes) and rental housing types.
- b. The standards that are outlined in the policy framework can be adjusted as needed, in order to allow as wide a range of actors to take part in the city's rental housing market, to produce as wide a variety of rental options, as possible.
- c. The process of approving these adjustments should be kept as simple and straightforward as possible and should

USING LEGISLATION TO PROTECT LANDLORDS AND TENANTS IN SOUTH AFRICA

The Rental Housing Act implemented in South Africa in 1999 defines the responsibilities of government in respect of the rental housing market. It sets out the duties and responsibilities of both landlords and tenants, and provides for the establishment of rental tribunals, which have power to make rulings in line with those of a magistrate's court, thus allowing for a speedy and cost-effective resolution of disputes between landlords and tenants. However, a negative consequence of the new legislation is that it has become extremely difficult for landlords to evict tenants who fail to comply with the rental agreement, or when the landlord wants to regain use of the property for other purposes, and this may discourage some property owners from becoming landlords.¹⁴

- require a minimum of procedures.
- d. Ensure that rental housing arrangements are sustainable, especially for vulnerable groups and women
- To ensure that the regulatory framework encourages a variety of rental housing to be produced and rented out (especially for lower-income tenants, vulnerable groups and women-headed households), the policy and regulations should:
- Set minimum standards for the management and maintenance of rental properties. These standards need to take into account existing rental practices and rental rates, and forecasts of future housing needs and future increases in property values. Incorporating rental housing into upgrading programmes or encouraging its development may require modifications to regulations and infrastructure capacities. Involving community organizations in a settlement in monitoring compliance with these standards may be necessary, in places where corruption could lead to housing inspectors and landlords colluding to evade regulations.
 - Combine efforts to improve the quality of rental housing, as well as the quality of basic infrastructural services in the areas where rental housing exists. Critical here is to build rental incentives into upgrading programmes. In order to support already-existing systems which provide affordable rental housing in many cities, the cost and effort of upgrading should involve the key stakeholders — community organizations, community-based savings groups, NGOs and landlords. To minimize sudden rent increases, this settlement upgrading could be combined with temporary rent control in targeted areas.
 - Provide follow-up measures in these upgraded informal settlements. This could include introducing a simple rental contract system which stipulates rights and obligations of both landlords and tenants. In addition, these measures could establish a housing consumer forum to settle disputes between landlords and tenants.
 - Enable established communities to take over the responsibility for upkeep and repairs, whenever landlords or tenants fail to fulfil their contractual obligations.

In situations where it is hard for landlords and tenants to jointly maintain the rental housing, an important alternative to consider is the establishment of community-based tenant cooperatives. Landlords could also subcontract building management and rent collection to community-based savings groups or to community committees of renters, or to larger city-wide networks or federations of shack-dwellers.

Gender, poverty, rental and access

The fact that many of the poorest households in African cities are those headed by women, means that rental housing is especially significant for women-headed households. In many countries, women also face considerable discrimination in terms of their access to formal housing finance markets, and thus rental housing is the only option available to them. Some women prefer to rent in central-city tenements which may offer greater physical security, a wider range of support networks and community acceptance of single mothers.

And the pressure on women to perform domestic and community roles may reduce the attraction of ownership in poorly serviced peri-urban settlements.¹⁵ Policies and regulations related to rental housing therefore should pay special attention to the availability of rental units in locations and on terms that allow women to provide safe, stable, affordable accommodation for their households, with access to the necessary infrastructure and services.

5. Mobilize finance to improve and expand rental housing

To be effective, rental housing policies need to support easy access to financial mechanisms, to encourage landlords and tenants

to maintain, repair and improve the quality of the rental housing that already exists, and to increase the city's stock of rental housing.

The nature of these financial mechanisms depends on the kind of financial resources local authorities have at their disposal, or can get through central government agencies. Interventions could include:

- Providing subsidies to poor owners, or poor private landlords, who create living space for others such as the household rental grant programme used in South Africa. This scheme supports the expansion of small-scale rental units in poor settlements by providing capital grants to landowning households to build or renovate housing rental units of a certain minimum standard on their land.
- Providing microcredit for small-scale landlords. Governments can also encourage banks to move into the low-income sector and to lend to landlords wishing to enlarge or improve their rental properties.
- Mobilizing finances from locally based sources and through cross-subsidy policies. Tapping into these different sources of income to provide new rental housing is especially important where social housing interventions are linked to urban regeneration/renewal, which often tends to displace and squeeze the poor out of well located areas. (See *Quick Guide 5 on Housing Finance*.)

What to do when cities don't have funds for grants and subsidy programmes

When the local authorities don't have large funds available (which is often the case) they could achieve similar ends by offering tax incentives to owners to make it worth their while to develop affordable rental housing units on their land. These tax incentives could take several forms:

- offering reduced tax rates on income from rental housing;
- giving tax rebates to low-income landlords who invest in improvements to the quality of their rental housing units;
- granting tax deductions to housing developers who produce or renew rental housing which specifically targets low-income groups.

Such tax incentives, however, will only have relevance for those landlords operating in the formal housing market who already pay land, property and/or income taxes. The local authorities therefore need to consider ways to recognize and regularize the status of informal landlords, and to offer them incentives to participate in the formal housing systems of the city. Landlords will be more likely to accept the payment of taxes on their property if they see that the authorities are using their tax money to upgrade the area and provide adequate services to the settlement where the property is located.

6. Encourage large-scale and small-scale investment in rental housing

Local authorities must look into strategies and incentives that make large-scale and small-scale investment in low-income rental housing more attractive and more sustainable to investors. Besides offering tax incentives to investors who produce new rental housing, these measures might

include ways to increase tenants' "ownership" of a project.

- Diversify rental housing options for the poor in and across the formal-informal and the public-private sector divides: Formal housing projects (in the public and private sphere) do not have to stick to the standard concept of self-contained rental housing units. Besides being costly, severely under-utilizing a scarce commodity (urban land) and often very badly designed (so-called sleep cities), such units can enforce social isolation and cut poor people off from economic activities and social support systems they rely on to survive. One option would be to develop transitional communal housing (transitional because this is aimed at entry-level rentals): houses with single rooms and shared facilities and communal areas. Other options could target tenant groups (rather than individuals) willing to commit to long-term collective leases on housing. Or tenure arrangements could allow tenants to shift from one type of rental agreement to another during their rental contract period – for example they could start as monthly renters, but decide later to purchase their unit with a mortgage when they are ready for this step.
- Promote alternative, participatory forms of rental housing management: While the ownership of a large rental housing block or settlement might still remain with the public, private, or public-private owner, the housing itself can be leased by a tenant cooperative which then rents out the individual units to its members. It is also possible that a rental housing block or group of separate units could be built originally, or bought later, by a similar tenant cooperative — which then becomes an owner cooperative. In all these arrangements, the ad-

vantage of cooperative management of rental housing is that the tenants who occupy that housing participate centrally in maintaining and making decisions about their housing — collectively. This approach is not yet widespread but an important avenue for policy makers to explore for its relevance and sustainability in specific contexts.

- Get NGOs and CBOs to help: NGOs and community-based organizations (CBOs) can help with awareness-raising, training and organizational support to communities of low-income tenants. NGOs should advocate for the housing rights of poor tenants, but they can also support low-income tenants to develop their own tools and knowledge to take greater responsibility in managing, upgrading and maintaining their rental housing — individually or as tenant collectives or CBOs. NGOs can also help poor tenants to form collective organizations (like consumer forums or tenant cooperatives) and help start selective savings and loan groups among groups of poor tenants in the same area or renting from the same landlord. All these measures can expand people’s tenure options, while they integrate rental needs into people’s more comprehensive process of self-development.

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WEBSITES

International Union of Tenants (IUT). This organization's website provides facts and figures as well as an overview of conferences related to rental housing. The IUT's quarterly magazine, Global Tenant, has information about tenant issues, land and housing rental situations in cities around the world.

www.iut.nu

United Nations Human Settlements Programme, **www.unhabitat.org**

For an annotated list of websites that offer more information about the key issues discussed in this Quick Guides series, please visit the Housing the Urban Poor website www.housing-the-urban-poor.net and follow the links to 'Organizations database'.



The pressures of rapid urbanization and economic growth in Africa have resulted in growing numbers of evictions of urban poor from their neighbourhoods. In most cases they are relocated to peripheral areas far from centres of employment and economic opportunities. At the same time over 500 million people now live in slums and squatter settlements in Africa and this figure is rising.

Local governments need policy instruments to protect the housing rights of the urban poor as a critical first step towards attaining the Millennium Development Goal on significant improvement in the lives of slum-dwellers by 2020. The objective of these Quick Guides is to improve the understanding by policy makers at national and local levels on pro-poor housing and urban development within the framework of urban poverty reduction.

The Quick Guides are presented in an easy-to-read format structured to include an overview of trends and conditions, concepts, policies, tools and recommendations in dealing with the following housing-related issues:

(1) **Urban Africa:** Building with untapped potential (2) **Low-income housing:** Approaches to helping the urban poor find adequate housing in African cities (3) **Land:** A crucial element in housing the urban poor (4) **Eviction:** Alternatives to the destruction of urban poor communities (5) **Housing finance:** Ways to help the poor pay for housing (6) **Community-based organizations:** The poor as agents of development (7) **Rental housing:** A much neglected housing option for the poor (8) **Local government:** Addressing urban challenges in a participatory and integrated way.

Millions of people in African cities are tenants. Rental housing may be only a partial answer to urban housing problems, but it is an important housing option – especially for the urban poor, and particularly in situations where people are not ready or able to buy or build houses of their own. Rental housing is an integral part of a well functioning housing market. In spite of this, governments in Africa have done little to support the improvement of rental housing which already exists or the expansion of affordable rental housing. This Quick Guide 7 considers the characteristics of good quality rental housing and sound landlordtenant rental arrangements, and presents policy options to promote and regulate the expansion of rental housing – especially for the urban poor.

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More information can be found on the website www.housing-the-urban-poor.net

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