

FACTORS THAT CONTRIBUTE TO THE COST OF PROVISIONS OF LOW COST HOUSING IN NAIROBI, KENYA

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Key words:

ABSTRACT

Housing is one of the most important needs of every human being. Without housing one would be exposed to adverse effects resulting from vagaries inherent in an environment. Exposure to bad weather would lead to ill health.

Housing fosters the development of other industries. The building industry produces buildings for utilities, shops and communal facilities.

Housing is also a tool for economic development. Industrial production would be hampered if the labour force is not housed.

Shortage of housing is a big problem becoming an enduring feature in many countries. This problem has been exacerbated by high rates of population growth and internal migration to urban areas in search of greener pastures. The extent of such a problem varies with urban centers but the results are the same: high population densities, sanitation problems, unhealthy living conditions and insecurity of tenure (Seong-kyu, 1987)

The consequence of the above results is the mushrooming of slums and shanty suburbs in cities. In order to curb this phenomenon, it is important that governments look for resources to increase the output of low cost housing. There are, however factors that hamper the provision of low cost housing as mentioned below:

a) Lack of adequate and favourable financial provision

There is inadequate funding from government to finance low cost housing.

Private financial institutions would rather finance middle or high income housing projects which have low risks. This leaves the low income groups with little or no funds for housing.

Those who cannot obtain loans from financial institutions usually turn to relatives, personal savings, or to private financiers or to money lenders who may charge interest rates as high as 10 percent per week (United Nations, 1987). This is however not tenable for low income groups. Funds allocated by government for low cost housing. The Government channels funds for housing through, National Housing Corporation (NHC).

b) Building Codes and Standards

These define the quality of construction, types of materials including sizes of spaces in a building. The building code does not cater for appropriate or indigenous materials. It covers conventional materials. The building code therefore inhibits the provision of low cost housing.

c) Land for low cost housing

Land in urban areas is usually expensive. Low income groups cannot afford it. These groups have therefore to resort to government land which is rarely available. This paper examines the above factors as experienced in Mathare 4A and Pumwani Low cost housing schemes in Nairobi. Some of these factors are lack of land, squatter inhibition, rise in cost of materials and transportation and tenants lack of affordability to meet repayments due to low income levels among others.

Recommendations will be made on how to meet the challenges posed by the above factors.

1. INTRODUCTION

Housing is one of the most important needs of every human being. It is put in the same category as health, security and food. It reduces effects of vagaries that are inherent in an environment.

Housing is a tool for economic development of industries in an economy. Industrial development would be hampered if the labour force is not housed.

Shortage of housing is a matter of great concern to any country. Shortage of housing is a big problem becoming a permanent feature in many countries. This problem has been exacerbated by high rates of population growth and migration to urban areas in search of greener pastures. The extent of such a problem varies with urban centers but the results are the same. This results to high population densities, sanitation problems, unhealthy living conditions and insecurity of tenure (Seong-Kyu, 1987)

Consequently, the mushrooming of slums and shanty suburbs in city centers particularly in the developing world, becomes the order of the day. This effectively creates a conflict of interest between the slum dwellers and the affluent, hence drawing the administrative authority into the same.

It, therefore, becomes necessary and important for governments to look for resources in order to increase the output of low cost housing. This has, however, not been an easy task for governments. There are some factors that hamper the provision of low cost housing as described below:

- (i) Governments do not have adequate funds to finance the construction of low cost housing.

- (ii) The building code defines the quality of construction, sizes of spaces and types of materials including standards to be maintained in a building. The code covers conventional materials hence ignoring appropriate or indigenous materials altogether. The building code is responsible for the inadequate provision of low cost housing.
- (iii) Land in urban areas is usually expensive due to scarcity and high demand for the same.

Land is not affordable by low income groups. The latter resort to government land which is scarce and rarely available.

The above factors including others will be examined in detail herein under.

2. FACTORS THAT CONSTITUTE TO LOW COST HOUSING

2.1 Lack of Adequate Favourable Finance

Governments lack adequate funds to finance housing. This has been a major constraint in the construction of sufficient houses particularly in the developing countries. In most developing countries, existing public financial institutions do not fulfill requirements for financial resources which are needed as critical inputs in construction. The development of institutions to provide the finance needed to build and purchase housing is closely tied to the general sophistication of a country's financial system. The latter also depends closely on the general economic development globally.

The government apparently lacks enough money for providing housing (Rubinowitz, 1974).

The growth of housing finance institutions is retarded by the government's regulations such as those which direct credit selectively to some segments of the economy.

Developers for low cost housing are less likely to benefit from institutional financing. Those individuals who cannot obtain credit from banks turn to relatives, personal savings, private financiers or to money merchants who may charge interest rates as high as 10% (ten percent) per week (United Nations, 1987).

This source of financing is not favourable for low cost housing.

2.1.1 Characteristics and Shortcomings of Existing Housing Financial Schemes

United Nations (1978) outlined the following characteristics and shortcomings of existing housing schemes in developing countries:

a. General lack of adequate financial system

In a number of developing countries, a major obstacle to providing housing finance to households in general let alone to the poor is the absence of well developed financial

systems as institutions. In countries where there are comparatively well developed financial systems, the institutions in question have not evolved to serve the housing needs of the poor. Financial structures in developing countries have been designed for those with ability to repay the loans. No financial structures have been developed for accessibility to the poor.

b. Eligibility Requirement

Housing schemes have restrictive criteria for granting loans. They require one or more of the following requirements to be fulfilled:

- (i) A specified minimum level of income.
- (ii) Assurance of economic stability proved by steady employment or regular savings
- (iii) Provision of adequate collateral security.

c. Restrictive Loan Terms

- (i) Mortgagors find it expensive to administer small loans. Operation costs are quite high. It is, therefore, convenient to exclude the low income groups from housing scheme.
- (ii) Financiers require a down payment, say 20% or 30% of the purchase price which is beyond the ability of low income applicants.
- (iii) Maturity: Low income applicants are given loans with long maturity periods hence increasing the total cost of the mortgage.
- (iv) Interest Rates: Interest rates in developing countries are usually high due to high demand which is coupled by low supply of funds. This makes the cost of borrowing very expensive which is unsuitable to the low income groups.

Financing low cost housing is a fundamental problem. It is therefore important that special financial facilities be provided for this purpose. These facilities have to provide for easy repayment terms and particular implementation policies have to be evolved which suit different situations and general development policies (Aziz, 1981)

2.2 Building Codes

Building codes are a systematic collection of statutes which define the quality of the environment in regard to the quality of construction, the type of material to be used, the quality of services that can be offered including tolerable levels of toxicity.

Building codes are established to ensure that the public health, safety and welfare of the population are maintained with respect to design and construction by provision of appropriate minimum standards. Building codes may be used to encourage and facilitate economic activities related to the construction of infrastructure and shelter, particularly if they are compatible with the basic human needs and resources of the target population (Ichangai, 1988)

2.2.1 Characteristics of Building Codes

Building codes in developing countries have been found wanting in the following areas (Mabogunje, 1978)

(i) Indifference to local experience

Most of the current standards are not based on local experience. They have been inherited from the colonial past or imported recently from developed countries. They, therefore, fail to address the local challenges of housing.

(ii) Lack of use of local resources

In most developing countries, the codes consider the locally available materials as sub-standard. This inhibits the use of indigenous materials which may be appropriate for low cost housing.

(iii) Irrelevance to local culture

Official standards/regulations especially those borrowed from developed countries are frequently irrelevant to the local culture and often lead to the neglect of the underprivileged.

Culture plays an important role and it influences living patterns and shelter of a community.

(iv) Lack of Relation to the economy

Building codes in developing countries do not take the overall view of the capacity of the people and governments to produce shelter. Housing programmes from donors are often pre-conceived and do not consider the financial constraints under which the government operates.

(v) Encouragement of Social Stratification

Orientation of standards from developed countries has increased interpersonal disparities in the quality of life.

Dwellings are associated with social economic status hence creating drastic differences in sizes, internal and external facilities have widened the gap between the rich and the poor. The old colonial patterns of housing have been replaced in many cities by new indigenous but alien class structures.

2.2.2. Effects of Building Codes

Building codes are restrictive as shown below:

- (i) They increase the cost of housing by specifying materials and building techniques that must be used in the construction.
In most cases, the requirements exceed what is necessary to ensure that buildings are safely occupied (Rubinowitz, 1974).
- (ii) Specification of materials to be used denies developers the opportunity to use locally available materials. This may increase the price of materials due to transportation costs if the latter have to be imported from other areas.
- (iii) The bureaucratic red tape and endless petty regulations frustrate and impede construction.
- (iv) The standards stipulated in building codes are costly and negatively affect the provision of low cost housing for the target group.

Diverse requirements of local building codes prevent the development of an efficient housing market in three ways (Wexler, 1975):

- (i) The cost of materials required by many of the codes exceeds the cost of safe, available substitutes.
- (ii) The stipulation of codes discourages innovation and development of new materials and building techniques.
- (iii) The diversity of materials required by various codes prevents builders from broadening their markets and thus restricts the development of a broad based industry with competitive suppliers.

Low income housing investors fear that investment in low income housing may be lost since its structure may violate some regulations (Strassman, 1982).

Generally, building codes and standards for infrastructure and services are restrictive to the shelter needs of the low income groups.

2.3 Land Use Controls

Developments in urban centers are regulated through land use controls. In most countries, legislature has delegated the power to regulate land use to local authorities. The latter use regulatory powers to prevent the construction of housing that would serve the low income group.

The most important land use controls in terms of their exclusionary effects are

Zoning ordinances and fiscal zoning.

(i) Zoning Ordinances

These refer to policy measures which regulate land use, population density and intensity of land use. The land is divided into areas and delineated into types of land use e.g. residential, commercial or industrial. Minimum standards are specified for each area. Population density is regulated through minimum plot sizes and the inclusion of multi-dwelling (Morris, 1978).

Local authorities determine land use policies without supervision or intervention by any other government body. Many authorities regulate developments in ways that amount to exclusionary zoning. Exclusionary zoning is the array of zoning ordinances and practices which keep away housing within the reach of the low income group.

Zoning ordinances limit the land available for residential purposes.

(ii) Fiscal Zoning

This is a system which local authorities employ to increase property tax.

The National Commission on urban problems in USA described the process thus, “The game of fiscal zoning requires the players, i.e. zoning jurisdiction to attract uses which add more to property taxes or local taxes that they require in expensive public services and exclude uses which do not pay their own way (Rubinowitz, 1974). Local authorities seek commercial and industrial uses including luxury housing, hence discouraging such uses as housing for low income people. The reason being that low income housing contributes little in property taxes due to their low assessed value.

2.4 High Prices of Land

Land is one of the key factors of production. Access to land is a critical element in providing low income housing (United Nations, 1984).

The supply of land is very limited. Land for public utility which would be used for low cost housing is also very scarce. Consequently there is a growing class of urban landless whose access to land and shelter is becoming more difficult every day. This fact is reinforced by the statement: “In the past, land for low income housing was provided by a number of mechanisms which in most cases, can no longer function (Habitat, 1987).

2.5 Lack of Building Materials

Building materials constitute the largest factor in the construction of a house in some cases accounting for as much as 60% of the total cost.

The building industry has been experiencing shortage of building materials. It has been difficult for some developing countries to import raw ingredients for the manufacturing of building materials due to lack of foreign exchange.

Appropriate materials produced locally have been scantily used in the construction of low cost housing. The building industry is not adequately aware of properties, qualities and suitability of such materials in the construction of such housing.

Small producers of appropriate materials e.g. stabilized soil blocks have not received good support from the government. This leaves them to depend on themselves or other agencies for advice on production, pricing and marketing which is inadequate. There is also consumer bias against the use of appropriate materials.

There are other factors such as availability of labour and technology which affect the construction of low cost housing.

3. CONSTRAINTS IN THE PROVISION OF LOW COST HOUSING IN NAIROBI

The following section will examine the challenges encountered in Mathare Area 4A and Pumwani Low Cost housing schemes in Nairobi. Research undertaken recently in the above areas revealed constraints experienced in housing the low income groups (Nzau, 1997)

3.1 Mathare Area 4A and and Pumwani Housing Schemes

This area of settlement is four (4) kilometers from the city center. Mathare Area 4A lies on the eastern side of Mathare Valley whereas Pumwani is two Kilometres away.

Squatters have lived in the Mathare Valley area for over seventy (70) years.

Colonial masters had designated Pumwani as a residential area for natives.

3.2 Inception of Mathare Area A4 and Pumwani Low Income Housing Project

In 1991, a group of slum dwellers approached their member their member of parliament and sought his assistance on how the pathetic housing state of their location could be improved. The M.P., Mr Maina, approached a Roman Catholic priest who supported the idea of upgrading and rehabilitation of the slum.

A German based rehabilitation company, Kreditantalt Fur Wiederaufban (KFW) was appraised about this proposed project. The company responded positively and promised to provide Kenya Shillings Ninety Million to enable a study of the rehabilitation of the slum to be undertaken. In 1993, the study kicked off. The Mathare Area 4A was initiated to house between 100,000 and 200,000 persons.

The housing scheme was planned for execution in four phases over a period of five years. The first phase was completed in 1995 and the second by end of 1996. Infrastructural works were completed by May, 1997.

There were 1480 housing units completed by March, 1997.

The Catholic Archdiocese of Nairobi was the executive agency of the housing programme in conjunction with the consultants, Gitec Consult.

The financial (KFW) undertook all financial appraisals.

The project was approved and supported by the two Governments of Kenya and Germany.

The Pumwani low cost housing scheme was undertaken through the initiative of President Moi during his visit to the area in 1987. He directed National Housing Corporation to carry out the development of high rise flats for the people of Pumwani with immediate effect.

3.3 Constraints Encountered in Mathare Area A4 and Pumwani Low Cost Housing Project

3.3.1 Finance

Finance is required to purchase land, building materials and also to pay contractors and professionals.

This housing project was sponsored by the Federal Republic of Germany at an estimated total cost of Kenya Shillings: Six Hundred Million only.

Targeted project progress over the four period was not achieved. The main impediment was lack of sufficient funds:

Feasibility studies proved to be quite expensive.

The financiers planned to release partial payments depending on progress and phases. There were delays in releasing the funds hence affecting the construction progress.

The Kenya Government, through the Ministry of Public Works Housing, had committed itself to partly finance the project. It was, however, unable to release funds due to lack of allocation by the Treasury. This also contributed to the delay in executing the work.

The housing programme was administered by a Consultative Board, formed by the Catholic Church and Government agencies. The members of this Board were paid allowances which had not been budgeted for initially. This phenomenon negatively affected the projects cash flow.

It had been envisaged that funds obtained from rent repayments could be used to finance part of the project. The default rate of the rent of Kshs.420/- per month was very high in spite of the fact the economic rent was Kshs.1,000/-.

Tenants could also not qualify for mortgage because majority of them were unemployed and those employed could meet the conditions.

There was also a lot of bureaucratic procedure in getting documents executed by government officials before the release of funds.

NHC gets its funding for housing mainly from the government and supplemented by USAID and World Bank. The government has over the years reduced its funding for housing due to budget rationalization. The issues that affected Mathare 4A equally affected Pumwani. The standards required by the building code were high.

This greatly affected the completion of Pumwani Low cost housing scheme. There was also a lot of bureaucracy in releasing funds.

It was earlier envisaged that realized rent repayments could be used to continue financing the development. This was not achieved because of high rent defaults. The tenants were unemployed and hence did not have the ability to service the tenant purchase scheme. This scenario was similar to that of Mathare 4A.

3.3.2 Materials

The walls were constructed of stabilized soil blocks. Plaster and paint were not applied. The roofs were covered by galvanized iron sheets supported on timber structure. The floors were finished with cement and sand screeds in Mathare 4A.

Some prices of materials e.g. a bag of cement increased by 30% over the construction period of four (4) years.

Transportation costs were also observed to be quite high

3.3.3 Land

Land is a big constraint in the provision of low cost housing.

The land in Mathare 4A as well as Pumwani is owned by the government.

The land in Mathare 4A had been invaded by squatters. The latter were to be settled elsewhere before the commencement of the project. The government, settled them in an open space called the "triangle area". The land was not enough to settle all the displaced families.

The project had to stop temporarily due to non-cooperation from some squatters who claimed that they were “Landlords” since they had bought the land from chiefs in the past. These squatters were compensated for their units and they were promised first priority in the allocation of completed units.

The research revealed that seventy percent of makeshift dwellings in Mathare 4A belonged to “absentee owners” whose interest was to obtain rent from their investment.

The land in Pumwani was given by the Government to the National Housing Corporation (NHC).

The land was inhabited by people who had constructed Swahili type houses made of mud and wattle and roofed with tin sheets. The occupants had been issued with Temporary Occupation License (T.O.L)

The residents were promised first priority in the allocation units after completion but there was resistance from some of the owners of the structures. This problem was, however, overcome due to the nature of the license.

National Housing Corporation decided to make the Pumwani low cost housing scheme high rise because of the shortage of adequate land.

4. CONCLUSION AND RECOMMENDATIONS

In conclusion, the problem of the factors that affect the cost of low cost housing will continue for a long time in Kenya as well as in other countries. It is, however, important that governments and other stake holders lay strategies. In order to increase the provision of low cost housing for the poor, hence minimizing on cost, the following recommendations are made:

- (i) Land should be set aside which is free from encroachment of squatters and other parties.
- (ii) Project feasibility and realization should be seriously considered at the inception stage of a low cost housing.
- (iii) Sourcing for cheaper and appropriate financial resources needs to be taken seriously as one of the key factors in the provision of low cost housing.
- (iv) Building codes should be revised to incorporate indigenous and appropriate building materials and standards.

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