

**EMPLOYER-ASSISTED HOUSING  
ADDRESSING ACCESSIBILITY AND  
AFFORDABILITY FOR CIVIL SERVANTS IN KENYA**

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## DECLARATION

I, the undersigned, declare that this is my original work and it has not been submitted to any other college or university other than University of Nairobi for academic credit.

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Date \_\_\_\_\_

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This project has been presented for examination with my approval as the appointed supervisor.

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Date \_\_\_\_\_

Dr. Jennifer Murigu

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## **LIST OF ABBREVIATIONS**

MTP	Medium term plan
EAH	Employer Assisted Housing
KPDA	Kenya Property Developers Association
CSHSF	Civil Servants Housing Scheme Fund
GOK	Government of Kenya
IMF	International Monetary Fund
HFCK	Housing Finance Company of Kenya
HFI	Housing Financial Institutions
MLHUD	Ministry of Lands, Housing and Urban Development
EMCA	Environmental Management and Conservation Act

## ABSTRACT

Housing has remained a major concern to the government since Kenya attained her independence. Homeownership is still very low and the average earning employees cannot afford financing to buy median priced houses.

More recently, there has been widespread public debate and media attention around housing accessibility and affordability which this research seeks to expound on. The research discusses the two concepts as they apply to civil servants homeownership, examines the effectiveness of policies affecting affordability, evaluates homeownership models provided by the civil servant housing scheme, additional re-engineering measures that can be adopted to cater for the lower income groups and then documents the aggregate evidence.

To achieve the above, various stakeholders and professionals were consulted in putting the research together. Structured interview questions were drafted and distributed to various professionals and policy makers. The study revealed that civil servants have reasonably priced housing package that addresses the affordability challenge however many more cannot access let alone afford.

Despite the gains made, the study indicates that a very small fraction of civil servants have benefited largely because of their purchasing power. A huge majority of civil servants may not or will never get an opportunity to an affordable house.

The study is organized into five chapters. Chapter one covers the background information, problem statement, research objectives, research hypothesis, significance and scope of the study. Chapter two focuses on available literature for EAH. The research methodology is covered in chapter three and the research findings explained in chapter four. Chapter five draws the conclusion, recommendation and lists areas of future research.

The research analyzed EAH design and suitability for both employers and employees. The research adopted a qualitative method on collecting data through interview questions. Additionally, the study performed an incisive analysis of the challenges affecting accessibility and affordability and lists recommendations as well as areas of future research.

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## **DEDICATION**

This work is dedicated to my colleagues at the former Ministry of Housing for their support and contributions in making this research a reality.

I am also dedicating this research to my former Geographic Information System (GIS) students at University of Nairobi.

To the larger academic community, I say thank you all.

# CHAPTER ONE

## INTRODUCTION AND PROBLEM STATEMENT

### 1.0 Introduction

According to Jennings, (2000), Employer Assisted Housing (EAH) refers to any housing program rental or homeownership that is financed or is in some way assisted by an employer. EAH is a flexible tool that can be tailored to work in different community contexts and to support various equitable development goals. EAH has been used to provide extra benefits to employees, without directly increasing wage rates. Employers working in partnership with their communities help to address affordable housing shortage resulting in a stable workforce and healthy economy. The assistance can be modeled as a financial assistance, service provision, facilitation assistance or the employer can provide development assistance. According to Larson (2002), common types of employer assistance include:

1. Down payment assistance in form of grant or forgivable loans to employees.
2. Extending low or zero rated construction financing to employees.
3. Donation of land for construction to employees.
4. Helping employees obtain affordable housing through down payment and closing cost assistance.
5. Deferred loan to a new housing development that provides capital to a project resulting in lower payment and reduced costs.

EAH is a crucial component that has contributed towards closing the housing gap and therefore brings down the total costs. Employers have a stake in extending housing affordability and create housing opportunities while increasing the competitiveness of their businesses and the areas in which they are located.

During the opening ceremony of the Ngara civil servants housing project in 2012, President Kibaki challenged other employers to emulate the Government's example by empowering their employees to own or access affordable housing. According to the presidential press statement, the President also urged financial institutions to develop appropriate and more affordable mortgage facilities to suit potential customers, especially the low income earners

in the country. Also to note, the Social Pillar of Kenya's Vision 2030 provides for the production of 200,000 housing units annually through a variety of initiatives in order to fill the huge housing gap in the country.

This study discussed the current housing position; reviewed employer-employee housing policies and examined other measures that can be used to increase access to housing.

### **1.1 Statement of the Problem**

Housing is a crucial component of economic competitiveness (Pill, 2000). Well planned housing at affordable costs, when combined with essential services, affords dignity, security and privacy to the individual, the family and the community as a whole (Government of Kenya 1987).

Since independence, the Government of Kenya has addressed housing through various initiatives. The key interventions include formulation of Sessional Paper No. 5 on Housing Policy of 1966/67, The National Strategy of year 2000 and several other measures contained in the National Development Plans. More recently, the government came up with Sessional Paper No. 3 of June 2004 on National Housing Policy for Kenya.

Despite these interventions, Kenya housing sector is characterized by lack of affordable housing with national homeownership estimated at only 16% (Kenya Economic Survey, 2010). According to Kenya Vision 2030 report, Kenya needs 200,000 housing units annually, a third of which is required for urban dwellings. Both the public and the private sector provide less than 20% of the required housing units in the urban and rural areas. Inflation has forced up the prices of building materials, making the housing situation worse. The government's own contribution to the housing sector has been minimal, with less than 1% of the national budget being allocated to support housing projects. Kenya has a huge housing gap which is growing every year and is increasingly prevalent in urban areas.

Kenya Vision 2030 documents that the country can only produce 20,000 to 30,000 housing units annually. The deficit is largely filled by the growth in slum dwellings and continued

self-construction of poor quality traditional housing. The housing gap can only be partially financed by affordable mortgages, while other solutions are required for the lower income groups. Currently only 3000 out of 131,745 civil servants own houses under mortgage and tenant purchase (17<sup>th</sup> January 2013 daily nation page 23) representing only a 2.2% ownership.

According to National Housing Policy for Kenya, (2004), the government proposes to play a participative role in housing finance and housing production. The policy identifies the main causes of limited access to housing production to be few lending institutions, stringent mortgage terms and conditions, inappropriate fiscal policies, low affordability rates across various income groups and political interests. On the other side, The Kenya Economic Survey (2010), puts the average monthly income in Kenya at Ksh.. 31,529. The survey report also notes that low income earner is anybody earning less than Ksh. 25,000 while middle income range from Ksh. 25,000 to Ksh. 99,000; any amount above Ksh. 99,000 is considered high income. Additionally, a report by public service commission, (2010), notes that low income earners form 67% of civil servants in Kenya while 33% are middle and high income earners. This simply means, many of the housing projects need to be tailored for the low income groups who are presently limited by their income. The civil servants housing scheme established that the average loan stands at Ksh.. 3 million at 5% mortgage interest with a minimum of Ksh.. 23,724 as monthly contributions. The repayments constitute 75% of average employees' gross income which by all standards is not affordable by many middle and low income employees.

The intention of this research was to examine the policy structure, identify and evaluate homeownership models that would make housing delivery accessible and affordable.

## **1.2 Research Hypothesis**

H0- That housing access and affordability is not a function of the socio-economic factors

H1- That housing access and affordability is a function of the socio-economic factors

## **1.3 Research Objectives**

The main objective was to address accessibility and affordability challenges through effective policies and suitable home ownership solutions.

Specific objectives include:

1. To identify current and existing EAH solutions
2. To establish effectiveness of current policies for EAH
3. To identify market re-engineering solutions and measures that address accessibility and affordability

#### **1.4 Research Questions**

The research aimed at answering the following key questions:

1. What are the available EAH models?
2. How are the housing policies assisting employees towards homeownership?
3. What additional measures can increase accessibility and affordability among the larger majority?

#### **1.5 Significance of the study**

This research study could be of benefit to the following key stakeholders that are in the housing industry:

To The Government

The study has made significant contributions to how the government can tackle accessibility and affordability challenges. Both public and civil servants stand to benefit from study findings and recommendations the research has made. The study has developed working strategies that will ensure all income groups have something suitable for them.

## Employers

The study will be found relevant to both public and private employers in assisting their employees get houses at affordable prices while retaining best talents.

## Developers' Associations and Lobby Groups

The outcome of this research highlighted key areas where private developers require reform, change or incentives in order to enter the low-medium income market. With this knowledge, developers' associations such as Kenya Private Developers Association (KPDA) can take advantage of incentives available for them.

## International Aid Agencies

An understanding of the challenges faced by developers in the low-income market would allow donor agencies such as UN Habitat, The International Monetary Fund (IMF) and other development partners to direct funding into projects that would stimulate low income housing supply either directly, through funding of housing development or indirectly, through infrastructure investments.

## Academic and Business researchers

The study of the low income housing market is a vast one and this research gave rise to key areas of weakness where there is significant opportunity for further research in an effort to enhance investments in provision of housing across all income groups.

### **1.6 Scope and Area of Study**

In as much as there are a number of factors affecting housing accessibility and affordability or lack of it, this study only limited itself to the policy framework, EAH models and other housing solutions that address both accessibility and affordability.

The study focus was on civil servants working in Kenya and Ministry of Lands, Housing and Urban Development (MLHUD) as the public institution charged with the implementation of civil servants houses. Other public and private institutions which played any role in implementation of the case study focused on in as far as they assisted in understanding the issues being evaluated.

The study area was chosen largely because of its function and ease of obtaining required data.

### **1.7 Organization of Study**

The research is organized in five chapters.

Chapter one covers introductory part of the research which includes; background information, statement of the problem, objectives, research questions, significance of the study and organization of study.

Chapter two focused on review of existing literature on homeownership, theories and concepts as it narrowed down to the study area and further down to the theoretical framework which formed the basis for this research.

Chapter three outlined the research methodology which largely incorporates, data collection and analysis processes. The research heavily relied on interview questions from various focus groups.

Chapter four centered on results and findings from the research which were discussed in detail.

Lastly, Chapter five gave the research conclusion and recommendations as well as areas that need further research.

## **CHAPTER TWO**

### **LITERATURE REVIEW**

#### **2.0 Introduction**

This chapter provides a review of various Employer Assisted Housing concepts which have focused on the provision of affordable housing. It aims at comparing and contrasting the different authors' views on EAH, highlighting gaps and provides a summary on the specific gap that this research study hopes to contribute to.

Shelter is one of the basic human needs in addition to food and clothing. The provision of shelter has remained a challenge across most of the developing nations. The Universal Declaration of 1948 recognizes the right to adequate housing as an important component of the right to adequate standard of living. Housing demand is a function of household income, price, interest rate and preferences. Empirical evidence shows that households are willing to spend more on housing if they are buying their own house than if they are renting (Mutero, 2007). It is worth noting that the idea behind EAH is that employees should be able live in close proximity to where they work. Today, EAH programs reflect the many ways through which companies strive to meet the housing needs of their work force and to balance those needs against business objectives.

In Kenya, EAH dates back to the colonial era when both the government and private employers provided housing to core employees. For instance the Kenya railways constructed its first housing project for its employees before independence. The initial EAH projects were driven by the need to house the employees close to work place.

The housing market in Kenya has also evolved considerably since Independence Day. The 1966/67 National Housing Policy promoted a strong role for the government in providing affordable housing for the citizens of the country through National Housing Corporation (NHC), Municipal Councils and through civil service. Whereas EAH dates back to colonial period, programs have operated without direct policy recognition and support. EAH got recognition in the Sessional paper No. 3 of 2004 on National Housing Policy for Kenya.

## **2.1 EAH Models Commonly Used**

EAH has primarily been used to address a lack of supply or to provide non-wage benefits to workers (Sands, 2008). The approaches by employers ordinarily help their employees obtain existing housing or help increase the supply of affordable housing in the community. EAH focuses on increasing demand for homeownership by lowering financial requirements and related carrying costs (Pill, 2009). The programs are largely designed to bridge financial gap (Snyder, 2009). The different EAH options are;

1. Financial partner model
2. Service provider model
3. Connector/facilitator model
4. Developer model

### **2.1.1 Financial Partner EAH Model**

The Financial Partner EAH model typically has the employer providing direct financial support to its employees, usually in the form of a fixed or proportional reduction of the cost of a house. This might take the form of a low-interest loan, cash to be used toward the down payment, or a second mortgage (often termed a ‘soft-second’ which comes due when the property is sold or amortized over a short period of time). The model may also offer to reduce related transaction costs such as closing costs or mortgage fees (Pill, 2009).

Another version of the financial benefit is employers’ contribution to a matched savings plan, in which the employer matches employee savings, sometimes at a ratio of greater than one. While most benefits in the financial partner model are geared toward homeownership, a few employers also offer financial assistance to renters. The benefit for renters will typically help to offset a security deposit or defray moving costs. In many cases, the employers will partner with a financial institution that administers the financial assistance benefit through the mortgage process. This prevents the employer from adopting the cost of originating the loan or assuming risk in holding the loan.

### **2.1.2 The Service Provider EAH Model**

Under the Service Provider Model, an employer provides key services in support of the home-buying process. These services are often a pre-requisite for receiving financial assistance and typically include homebuyer education programs, credit counseling, assistance with preparing a mortgage application, and property search assistance (Fannie Mae, 1998). Most programs are hybrids because these types of services are the entry points for employees who are trying to access EAH benefits. In hybrid models that also include financial assistance, an employee may access these services with or without applying for financial assistance. However, in most cases an employee may not apply for financial assistance without participating in homebuyer education and/or credit counseling first. According to Pill, (2009), employers that use the service provider model or a hybrid version of the model are mostly choosing to partner with existing providers who already run the courses or provide counseling to the community, in some cases for a fee that the employer pays to the partner to provide this service to its employees.

Employers that offer the service provider model of EAH benefits are motivated by recruitment and retention, but may also expect to gain some improved community relations out of the program (Sands, 2008). While the financial partner model includes financial assistance typically only offered to employees, the services offered through the service provider model are often available to non-employees as well as employees, because they don't involve a direct cash outlay. An employer can earn a great return in terms of improved community relations by simply paying the homebuyer education and credit counseling services. Nearly all of the employers using the service provider model (or a hybrid including the service provider model) offered homebuyer education courses to their employees, and many offered these courses to non-employer staff as well.

### **2.1.3 Connector or Facilitator EAH Model**

The third type of employer-based EAH program is the connector or facilitator model. In this model the employer acts as an information resource, referring participants to service or financial partners such as private lenders, public sources of housing assistance, and non-

profit community partners (Sands, 2008). The distinguishing feature of this model is the employer practice of referring its employees to existing providers of services or assistance. In these programs, the employers directly provide the services to their employees. Employers and employees are linked or connected to external sources of housing services similar to those offered by the service provider model, such as homebuyer education and credit counseling. They may also be referred to a real estate agency and appropriate local lenders.

#### **2.1.4 Developer EAH Model**

This is where EAH programs are paired with direct efforts by an employer to build houses for its employees. The developer model is also, by definition, a hybrid model, pairing a mix of the other three types of programs with housing units actually built by the employer a portion of which is offered to its employees (Sands, 2008). The new housing units may be paired with direct financial assistance from the employer in partnership with a loan from a private lender, usually amounting to benefits that accrue at a scale similar to those described in the financial partner model: examples of which can be down payment assistance and mortgage guarantees. According to Sands, (2008), the employer may also add homebuyer education services to the mix of assistance offered to employees for whom it is creating housing.

There are several barriers that keep many employers from using the developer model for their EAH programs. One is the sheer complexity of the real estate development process, particularly the full range of required planning, construction, and community response aspects that make up the housing development process. Access to land is certainly a challenge for urban employers who are tempted to try this model. Many urban employers are essentially land locked, located in neighborhoods in established cities that are completely built out. In those cities where employers can develop housing, the only parcels large enough to make a project worthwhile are often those already owned by the employer, where the trade-off between future academic construction and present housing market demands is difficult (Sands, 2008).

The second barrier is the cost of development. In the short run, it is certainly a cheaper per-employee-strategy for the employer to provide a direct housing finance or service benefit rather than invest in the development of a new housing unit. Finally the challenge of engaging the community in the housing development process can be a real deterrent for employers looking to create new housing for its employees. Employers may feel that they have to compromise too much to fully engage the community in satisfactory partnerships over community housing development. If it does not engage the community the employer may be vulnerable to resistance and opposition that can not only damage its relationship with the community but also doom the housing development as well. Depending on the quality of the relationship between the employer and the community, the community may resist any real estate development or expansion of the employer. The developer model, with its high cost, complexity, and the amount of time required to get to results, is the least common model of EAH programs.

Taken together, these models, along with their underlying motivations, provide an overview of the scope of employer based EAH programs. The models alone, however, say very little about the potential impact of an EAH on an employer and its community, nor can much be inferred regarding the context in which employer EAH programs best work. At a minimum, the typology of the models provide a foundation upon which to base the study for specific EAH programs and organize a deeper assessment of their usefulness for employer and the communities.

## **2.2 Affordable Housing and public policy**

In the simplest of terms, affordability of housing refers to the amount of capital one has available in relation to the price of the goods to be obtained (Ondiege, 1981). Housing affordability also implies the ability of the occupant to pay for the dwelling. Affordable housing is also defined as units affordable to households at below thirty five percent of the median household income (Davenport, 2003). According to Davenport, a household is cost-burdened if gross rental or housing payments are greater than thirty five percent of household income.

Economists note that the demand for housing is a function of price, household income, household composition, job choice, and housing consumption. As the price of a particular quality of housing unit increases, households demand less of it. For that reason, as the housing cost burden increases, the household must either find less costly housing or reduce consumption of other goods. Demographics play a similar role because housing is a necessity, so as the population increases, so does the demand for housing. As the demand for housing increases, housing prices begin to rise. Increased demand will provide the incentive for developers to increase the supply of housing. If there are enough new housing constructed to meet the demands of a growing population, there would be little impact on the price of housing. However, the costs faced by developers will also have a significant impact on whether or not housing is affordable. Land has to be purchased and the labor force that is building new housing has to be paid. New housing developments will be aimed at capturing as much of the new demand as possible and, given the costs of land and construction, housing will only be supplied above a certain minimum price level.

In Africa, as in most developing regions, there are large numbers of people without any form of shelter at all or living in deteriorated or un-improvable shelter conditions. While the situation is felt by the majority of the population, the most affected are the low-income earners, the unemployed and underemployed (Hammond, 1990). The mismatch in supply and demand has led to an increase (by 100%) in housing prices since 2004. This has pushed lower income residents out of the formal market and into the slums (Noppen, 2011).

The supply of affordable housing, which is often comprised of older and poorer quality stock, is not likely to keep pace with the supply of new higher priced units. This especially affects low-income earners whose wages may have fallen or have risen only marginally. Developers will either have to redevelop existing properties or develop on new land in order to increase supply. If we assume that older or poorer quality housing is the first to be redeveloped, then low-income renters who are living in this housing stock and first time home buyers will be severely affected (Kimeu, 2010). This is because owners of older rental properties will have an incentive to sell to developers, yet there will be no new supply of affordable rental or owner occupied units for displaced tenants to move into. Interest rates are also very important and have an effect on both the demand and supply of housing. Kimeu, (2010),

notes that, if the interest rate declines, developers will find it cheaper to finance their business, making development more profitable. At the same time, a drop in the interest rate will increase the amount of money households can affordably spend on housing.

Policy instruments may focus on production strategies that facilitate increased production on the supply side of affordable housing, which can include refurbished older stock or new housing construction. Currently, policies that facilitate production on the supply side include favorable land use policies such as inclusionary zoning, relaxation of environmental regulations, and the enforcement of affordable housing quotas in new developments.

### **2.2.1 Affordability re-examined**

Policy makers at all levels; global, national, regional, municipal and community associations are attempting to respond to the issue of affordable housing, a highly complex crisis of global proportions, with a myriad of policy instruments. These responses range from stop-gap financing tools to long-term intergovernmental infrastructural changes.

Public policies are informed by underlying assumptions about the nature of housing itself. For instance, is housing a basic need, a right, an entitlement, a public good, a civic duty, or is it just another household-level consumer choice, a commodity or an investment within the free market system? Housing Policies provide a remarkable litmus test for the values of politicians at every level of office and of the varied communities that influence them. Often this test measures the warmth or coldness of heart of the more affluent and secure towards families of a lower socio-economic status (Bacher 1993).

Affordable housing needs can be addressed through public policy instruments that focus on the demand side of the market, programs that help households reach financial benchmarks that make housing affordable. This can include approaches that simply promote economic growth in general in the hope that a stronger economy, higher employment rates, and higher wages will increase the ability of households to acquire housing at market prices. National government policies define banking and mortgage lending practices, tax and regulatory measures affecting building materials, professional practices among others. The purchasing

power of individual households can be enhanced through tax and fiscal policies that result in reducing the cost of mortgages and the cost of borrowing. Public policies may include the implementation of subsidy programs and incentive patterns for average households. For the most vulnerable groups, such as seniors, single-parent families and the disabled, some form of publicly funded allowance strategy can be implemented providing individual households with adequate income to afford housing.

A number of studies, by Kabagambe & Moughtin (1983); Lee Smith et al (1988); Hoek-Smit (1989); Malombe, (1981,1990) have focused on various problems relating to homeownership. Malombe (1981), points out four factors which limit the success of public policies relating to housing. They include; unrealistic and vague policies, disparity between planning and implementation, unrealistic housing standards and lack of specified policy on finances for low income housing.

Pugh (1990) in his discussion of housing policy in India points out that lack of housing for low income groups can be attributed to mass poverty, weak flows of new (formal sector) housing supply and the absence effective policies for low income housing. For unfortunate reasons, the regulations which date back to colonial period have hardly been reviewed. This has a negative impact on housing the urban dwellers especially, the urban poor who cannot afford what is officially referred to as an acceptable housing unit.

### **2.3 Market Re-Engineering Measures to Increase Accessibility and Affordability**

These are deliberate actions and measures involving the rationalization of existing institutions, legislation, regulations, procedures and processes to catalyze both the supply and demand side of the market, in order to shift and re-orient investment patterns across and within sub-sectors of the economy. Despite the interventions mentioned earlier on, the Kenyan housing sector is characterized by lack of affordable and decent rental housing options, low-level of urban homeownership estimated at 16%, extensive and inappropriate dwelling units including slums and squatter settlements (National Strategic Plan (2006-2011). It is estimated that a total of 150,000 housing units are required annually as a result of

the backlog that has accumulated due to the past years of neglect for the sector; yet only an estimated 35,000 are produced every year (National Housing Policy, 2004).

The shortage of housing for low-income urban households is the most acute. Out of all housing units produced annually, only an estimated 6000 units or 20% of the total number caters for this group (Economic Survey, 2011). Inadequate production of low-income housing is due to lack of financial commitment, infrastructure and under-investment by both the public and formal private sectors.

A majority of civil servants are also faced with a lower purchasing power which makes them an unattractive lot to developers wishing to build low cost houses (Kimeu, 2010). Currently, the formal private sector housing market mainly caters for upper middle and high income groups, leaving the lower middle and low-income bracket unattended. Moreover, the vast majority of urban dwellers cannot afford to buy their own houses owing to the sky rocketing prices and cost of loans. For instance, the required monthly repayment of Ksh.s. 10,000 to service a loan of Ksh.s.750,000 for a period of 15 years is not affordable by up to 80% of the persons employed in the formal sector, whose monthly gross earnings are below Ksh.s. 25,000. (Kamau. K Daily Nation page 35, 26<sup>th</sup> June 2012).

In addressing land accessibility by civil servants, it is critical to understand land policies in Kenya. In view of the above, it is important to note that the government's main objective is to promote efficiency, sustainability and equity to protect and benefit future generations, (National Land Policy, 2009). Land accessibility and ownership is through tenure systems provided by the Kenyan law. Currently the categories of land tenure in Kenya are government land, trust land and private land. The National Land Policy recognizes that it is not possible for every person to own land in Kenya. It therefore seeks to secure access rather than to grant individual ownership rights to everyone. In Kenya, civil servants like other ordinary Kenyans can access and acquire land rights through allocation of public land, adjudication of customary land, purchase, lease or rent in the open market or inheritance. Land can also be accessed through special interventions like redistribution (providing the disadvantaged with access to land for residential purposes), restitution (restoring land rights

to those unjustly deprived) and resettlement (return of access to land to those who are forced out of their land through conflict and other calamities). As noted above, many civil servants would not be able to afford to buy complete houses. They may however be able to access land through purchasing a piece for development from the open market. The government has to date not been able to accord civil servant access to land for development. Focus has largely been on complete houses for sale rather than offering land as part of the solution.

These dynamics call for government interventions in terms of deliberate policies, incentives and measures to attract formal private sector investments in low-income housing in order to meet the current demand. This is because it is apparent that the government and the public sector at large will not be able to generate the large quantum of resources required to finance the envisaged housing investment. Indeed, the world over, governments provide incentives to guide their housing markets to cater for the low-income segments of the population. The most common and effective interventions include provision of land, infrastructure, legislation, regulations, fiscal and monetary measures, and administrative practices. Other effective re-engineering measures are establishment of the site and service housing schemes. These schemes have been done in Dandora and Thika Makongeni area. Other land and housing access opportunities are sectional plans, secondary mortgages and multi-generational ownership plans.

This research therefore outlines the immediate measures the government needs to implement so as to create an enabling environment to facilitate participation of the formal private sector in the provision of affordable and decent housing, with particular emphasis on low income groups.

## **2.4 Chapter summary**

This chapter focused on literature review where policy issues took center stage in terms of relevance and effectiveness on accessibility and affordability. This research notes that there seems to be a direct relationship between effective policies and housing availability. Many writers agree that the current housing solutions are beyond reach of the larger majority who cannot afford the housing package available for them due to their income. In view of this,

there is need for the low income majority to have policies that are geared towards increasing housing accessibility. Chapter four captures analysis and discussions on various housing proposals and their suitability as far accessibility and affordability is concerned. Other socio-economic factors were also mentioned only to the extent to which they address affordability gap.

The study also re-looked at factors of production affecting home-ownership namely land, labor and capital. According to the available literature, the government has not come up with clear plans to address the plight of the low income. Research indicates that government housing benefits mostly the middle and high income earners. This study spotted the gap and sought to investigate what can be done to create equity across all income groups. In general terms, this study contends that policies and working alternatives bear significant effect on housing accessibility and affordability.

The next chapter draws out a plan of how data was collected and how it was presented for analysis purposes.

## **2.5 Conceptual Framework**

It has been emphasized that housing is a basic need of mankind and that investment in housing has a positive role to play in the economic and social development of a nation (Adeniyi, 1972; 1985). It is within this context that the provision of housing is viewed from two broad philosophical perspectives.

The first, which is the economic perspective, sees housing as an economic or investment good for which the private individual should take full responsibility under normal competition. Consequently, the production and consumption of housing should be determined by the interacting market forces of demand and supply without regards to the housing needs of people. The second perspective views housing as a social good or service, a vehicle for fashioning the nature our society (Martins, 1977). From an unadulterated Marxist view, government should be totally committed and have a responsibility to provide accommodation for members of the community (Acquaye, 1985). Therefore, the protagonists

of this philosophy of housing rationalize their argument on the fact that housing is a necessity of life; that housing affects productivity; and that bad housing produces negative externalities on society, and therefore, government should intervene in the housing market, since the outcome of unregulated competitive market could not be expected to produce outcomes which are entirely in accord with social needs and political objectives. They hinged their argument on the fact that the poor and under-privileged, and those who could not fend for themselves must be taken care of, by the society, by meeting their needs.

Thus, housing is given a role which transcends the welfare of the individual and contributes to some greater social good (Newell, 1977). However, Adeniyi (1972), contended that three motives are considered to be particularly relevant in the formulation of a national housing policy or the setting up of a National Housing Programme. These are social, political and economic factors. In general, it has been recognized that housing serves both economic and social roles simultaneously.

## **CHAPTER THREE**

### **RESEARCH METHODOLOGY**

#### **3.0 Introduction**

This chapter outlines how the research study was conducted. It includes the research design adopted, the target population, data collection and analysis of data. It also discusses the methods used to question and present the data collected.

#### **3.1 Research Design**

The questionnaires were designed to elicit data in accordance with the research questions. The study required the use of interview questions with head of departments in charge of government housing at the Ministry level. The reason is simply because a lot of the decisions made are policy based.

This study used descriptive research which is qualitative in nature. The design used description as a tool for reporting data. Detailed interview questions were prepared based on the research questions. The study used open ended questionnaires so as to get more information that affect housing delivery, accessibility and affordability. The output of the study includes:

1. Policy propositions that would increase affordability and accessibility
2. Additional housing solutions tailored to increase accessibility among the low income.
3. Gaps and areas of future research.

#### **3.2 Target Population**

According to Mugenda (1999), population refers to an entire group of individuals, events or objects having common observable characteristics. Given the nature of the research, the target populations for the study were selected Ministry of Housing heads of departments. The Ministry has 12 professionals of various technical fields who include; Architects, Quantity Surveyors, Land Economists, Building Surveyors, Project Managers and Economic Policy Experts. The sample obtained for interview was arrived at using a simple random method out of which six professionals were selected for interview. As for the developers, the ministry

provided a list of 30 developers of different classes. The selection criteria included the following;

1. Must be registered with National Construction Authority
2. Members of a professional body
3. Have worked with the government for at least five years

For those who met the criteria, a simple random technique was adopted to get a minimum of five developers. The technique was chosen because it's fast and unbiased.

### **3.3 Data Collection**

Here, both primary and secondary data were used. Primary data collection took the form of interview questions which is typically qualitative. The collection process was made possible through use of pre-printed-structured questions. According to Naoum (2008), a descriptive survey aims to answer questions as to how many? Who? What is happening, where and when? Interviews were also preferred because they provide in depth information. The approach made it possible to extract sensitive and honest data.

The researcher collected data on EAH beneficiaries since inception and sought to find out reasons for the low uptake. The researcher also wanted to analyze the current EAH policies and determine if they are reasonably formed to assist employees. Finally, the researcher wanted to know what housing solutions can be made available for the low income category.

### **3.4 Data Analysis and Presentation**

Bogdan and Biklin (1998) suggest first ordering interview transcripts and other information chronologically or by some other criteria. Here, data was carefully re-read several times and later followed by coding and labeling data that are related without worrying about the variety of categories. Additionally, short notes were written, listing ideas and diagramming relationships. Special vocabulary was noted as it often indicates an important topic.

In analyzing interview responses, Berkowitz (1997) suggests consideration of these questions when coding qualitative data: these questions guided the researcher in data presentation.

- What common themes emerge in responses about specific topics? How do these patterns (or lack thereof) help to illuminate the broader central question(s) or hypotheses?
- Are there deviations from these patterns? If so, are there any factors that might explain these deviations?
- How are participants' environments or past experiences related to their behavior and attitudes?
- Do any of these patterns suggest that additional data may be needed? Do any of the central questions or hypotheses need to be revised?
- Are the patterns that emerge similar to the findings of other studies on the same topic? If not, what might explain these discrepancies?

### **3.5 Chapter Summary**

The above chapter outlined how data was to be collected, presented and interpreted. The researcher came up with an incisive way of analyzing interview data. Data collected was used to report the findings as illustrated in chapter four.

## **CHAPTER FOUR**

### **RESEARCH FINDINGS AND DISCUSSION**

#### **4.0 Introduction**

This chapter gives an outline of the research findings and a discussion of the various responses gathered from the interview questions. The chapter presented the findings of the research with respect to the objectives of the study and other findings which were relevant to shading insightful analysis of the subject matter.

#### **4.1 Effectiveness of Housing Policies That Favor EAH Affordability**

The Employer Assisted Housing is proposed in the National Housing Policy for Kenya as one of the approaches to overcome housing finance challenges. Under the policy, the government proposes to facilitate employers by providing housing assistance to their employees. In the introductory part, it is worth noting that government houses are usually sold at cost with no mark-up. Records from the department of civil servants housing scheme confirm that employees are charged at cost. This means no profit margin is attached to the purchase costs. The research findings indicate that since 2004 when the policy came into effect, many civil servants have benefited from EAH albeit few. Since then, the government has made good progress in terms of incentives to attractive developers. Some of the approved incentives targeted to EAH were tax deductibility under Home Ownership Savings Plan (HOSP). Those awaiting approval included tax credits and tax deductions paid by persons with a basic pay not exceeding Ksh.. 50,000.

The government had initiated the Civil Servants Housing Scheme to facilitate home ownership to civil servants. The strength of the scheme is derived from legal notice number 98 in the Kenya Law Reports. The report stipulates the provisions and procedures of home ownership for all civil servants. Here, respondents observe that an EAH program without financial benefits will not be attractive to the employees since high costs associated with home purchase are the main challenge to affordability. Other respondents noted that the current mortgage interest rate for civil servants (5%) is quite attractive for borrowers compared to prevailing market rates (14%-16%). Moreover, civil servants can borrow from

funded schemes where employers give their excess deposits with commercial banks to grant them housing loans for their employees. The interest rate charged on the loan depended on how much the employer wanted to earn on the funds. The focus group respondents noted that the non-funded schemes would be unaffordable to a majority of civil servants. They said, employers in a non-funded scheme have to negotiate with financial institutions because of low risks accruing from payroll deductions of the loans. Since the loans are guaranteed by the employer and further by collateral, employees were given loans at rates up to 3.75% lower than the market rates. The scheme has negligible cost implications on part of the employer.

Another way of providing low interest loans was through investment trust funds. Under the program, employers mobilized savings from their employees in partnership with a financial institution to build trust funds. Employees were then financed to purchase a house to the tune of four to six times their savings. The interest charges in this arrangement ranged from 6% to 8%.

The employers who provided forgivable loans signed a memorandum with the employees not to leave the organization over a period of time when the loan would be forgiven. The benefit was however only available for top management employees and selected technical employees key to the employers.

#### **4.2 Affordability and Reliability of EAH Models**

First, an evaluation of the implementation status of the CHSF was done to measure if the scheme has increased sources of finance for housing to employees and to what extent. Additionally, an analysis of the EAH was done to evaluate if the lending terms under the CSHSF was favorable across the board. The study sought to establish the implementation status of EAH in accordance with the Housing Policy for Kenya 2004.

According to respondents, it was revealed that the implementing body, Ministry of Housing now Ministry of Lands, Housing and Urban Development (MLHUD) lacked feedback mechanism to monitor and evaluate the programs. However, to lead by example, the Ministry

established Civil Servants Housing Scheme Fund in 2004 to cater for employees in the civil service. Since inception, the Ministry has assisted slightly over 2% employees to own houses.

Respondents noted that CHSF is open to all civil servants from all ministries and that affordability issues are addressed by the various initiatives offered by the government. For those who are high income earners, the government has helped them purchase public or privately developed houses at affordable interest rates while for the middle and lower income category, the government provides cash to develop own parcels of land where title deed is provided. The government is however silent on low income earners who do not have parcels of land to develop.

According to the Kenya Law Reports 2011, the following affordability strategies are applied to civil servants wanting to own houses:

- a) Special non stringent conditions
- b) Prolonged repayment period
- c) Low interest rates

On verification of the above strategies, the respondents unanimously agreed that employees can actually get financing to develop own land. The only rider is that they need to be real owners of the parcel of land and they must have a legal ownership document; in this case a title deed. Here employees qualify to get up to Ksh. 5 million depending on their job group.

The research findings also confirmed that the repayment period is long enough thus allowing employees to incur minimal monthly expenses. Preliminary findings indicate that a huge majority of civil servants those earning up to Ksh. 25,000 would afford a house worth Ksh. 2 million should the repayment period be extended from a maximum of 18 years to 25 years as shown in the Table 4.1. This would make home loans cheaper thus affordable.

**Table 4.1: Monthly Loan Repayment at Different 5% Interest**

<b>Loan amount</b>	<b>10 years</b>	<b>15 years</b>	<b>18 years</b>	<b>25 years</b>
Ksh. 2 million	20,249	14,794	14,061	10,557
Ksh. 3 million	20,374	22,191	21,091	15,835

**Source: Field survey, 2013**

The researcher also affirmed that civil servant interest rates are way below market rates. The rates are charged on all EAH models available across all income groups irrespective of the Ministry. Additionally, the prices are charged at cost which goes towards making the houses even more affordable.

**Table 4.2: Monthly Loan Repayments for a Ksh. 3 Million House**

<b>Interest rates</b>	<b>10 years</b>	<b>15 years</b>	<b>18 years</b>	<b>25 years</b>
5 %	31,819	23,723	21,091	17,537
8 %	36,398	28,670	26,248	23,155
15.75 %	47,787	43,540	41,879	40,179

**Source: Field survey, Kimeu 2010**

According to table 4.2 above, it is quite obvious that interest rates play a significant role in loan/mortgage affordability. It can be noted that for a house costing Ksh. 3 million in all the categories, with interest rate of 5% (Civil servants rate), an employee would be required to pay Ksh. 31,819 for 10 years while Ksh. 21,091 for 18 years. A house costing the same amount of money but 15.75% interest rate (market interest rate) would cost an employee Ksh. 47,787 for 10 years and Ksh. 41,879 for 18 years. Thus the current civil servants mortgage rate is much more affordable to employees even at lower middle income group.

From the data collected and field responses, monthly repayments are very sensitive to loan period as well as interest rates charged. EAH programs have made housing accessible and much more affordable to employees. Respondents also noted that interest rates can be

brought down significantly so as to reduce cost of capital. This they say can be achieved through off-shore market. Respondents note that currently, it is very cheap to borrow from offshore financial markets. The cost of capital in the western countries is as low as 1%. This would make cost of borrowing and lending to government employees much more affordable.

### **4.3 Market Re-Engineering Strategies That Address Accessibility And Affordability**

Respondents noted that there are numerous strategies to increase accessibility among low income.

#### **4.3.1 Site and Service Schemes**

Respondents listed site and service schemes as an effective strategy to cater for the low income employees. The site and service schemes were first implemented in Kenya in the early seventies at Makongeni in Thika and Dandora in Nairobi. According to Ndungu, (1985), site and service schemes are forms of housing subsidy where identified individuals are provided with serviced land and are expected to build their houses according to their economic ability. Respondents however caution that if not properly managed, the sites and services can easily become slums. To avert this, site and services need to have proper plans, designs and basic infrastructure. More importantly, the low income earners dream of owning a house will become a reality if policies are clearly laid out to benefit only that group.

The question of design standards is crucial to the success of sites and services projects and is the subject of very heated discussions. High standards are mostly advocated by politicians, ostensibly to provide decent homes. Low standards are advocated by foreign organizations and many technicians, apparently to ensure affordable houses.

The issue of standards involves six aspects:

1. Infrastructure;
2. Plot size, density and layout;
3. Buildings and plot coverage;
4. Physical and social environment, and security;
5. Public transport; and
6. Social institutions and facilities

Members of the focus group observe that by phasing construction over a length of time, the owner can improve his dwelling according to his financial capacity. Saving and investments, thus, occur simultaneously. By so doing the National Housing Supply will increase and this helps to reduce the acute housing shortage in the country. Another important area in which the strategy offers good prospect relates to effective and efficient urban planning, development and management. With Site-and-Services Scheme, plots are well laid out and services provided, thus, providing a framework for monitoring and controlling development. Besides, the strategy will reduce the direct involvement of government in housing construction, thereby reducing the prohibitive costs of building government housing estates. Respondents say the strategy will also help to reduce wastages and conserve government resources. In addition to the above, the approach affords the poor the opportunity of benefitting from infrastructural facilities and services such as pipe-borne water, paved roads health facilities, and in some cases water-borne sewage. This is capable of solving the problem of sub-standard housing, over-crowding, lack of utilities and poor environmental conditions associated with spontaneous development in most of the urban centers in Kenya.

According to respondents, the model has the following stylized feature which makes it appropriate:

1. The project designer picks a target income group.
2. An assumption is made concerning the fraction of income households that are willing and able to pay for shelter. This fraction is the affordability ratio; it is sometimes assumed to vary for different target groups.
3. A target housing expenditure level is set;
4. Project standards such as lot size, location, infrastructure type and quality, and shelter size and quality are established such that units are built with a cost.

The economic benefit to households of participating in the project depends on the amount of shelter and services received and its price. Once having entered the project, incentives to households to sell out, sublet, or default are determined by households' preferences, income

fluctuations, market prices of units provided in the project, and rules and restrictions governing the ability of households to profit by selling out or subletting.

The model analyzes the complex incentives and disincentives that are set in motion when the standard sites and services paradigm is implemented. Among the more important findings are the following.

1. Economic benefits result from lowering the effective market price of shelter and services, relaxing market restrictions, or both. The magnitude of potential benefits depends on the household preferences for housing vis-a-vis other goods, on housing market features (especially the existence and magnitude of market imperfections and expectations concerning inflation in prices and income), and on project design features.
2. Potential benefits are determined by the standards of shelter and services, prices charged the type and level of subsidies, and whether subletting and resale are permitted.
3. These factors affect consumption and investment in shelter and other goods, and incentives to invest further in project-provided units, to resell or sublet, and to default on project-related loans.
4. Affordability is subsidized because of economies of scale in purchasing the land, installing the basic infrastructure, processing legal fees, architectural fees and surveying fees.

All the allottees in this housing project are responsible for constructing their own housing units. Allottees are also able to mobilize funds from savings, wages, rent, private loans and gifts, in order to complete the construction of their houses. Respondents conclude that this housing project would increase access especially to the low income employees and allow them to build as they find money.

### **4.3.2 Sectional Plans**

Here, respondents note that this is a strategy implemented in high density areas where there is shortage of land. Sectional plans were developed after establishment of section titles act. A sectional title is a formal survey document which clearly defines the borders or boundary of all of the various sections that are held within the relevant sectional title scheme together

with information pertaining to the various exclusive use areas and the resultant PQ's (participation quotas). The common property is made up of those parts or portions of a sectional title complex or scheme which aren't part and parcel of a particular "section". Swimming pools, driveways, passageways and entranceways would be good examples of these. Monthly payments made by the body corporate members to cover the costs of running and maintaining the complex. Costs here include the likes of Municipal costs for rates and taxes, refuse removal, sewerage etc, repairs to common property, Administrative costs such as accounting or audit fees, bank costs, managing agents fees, staff costs (gardeners, cleaners when not handled by a Managing Agent) insurance, security, water and power costs for usage on common property and provisions for the likes of contingency funds.

Each allottee is given a sectional number. This is the number allocated to a unit as contained in a Sectional title scheme. Sectional plans have gained widespread recognition by the government because of space utilization. The government through civil servants housing scheme developed one of most modern housing estate in Ngara by putting up several storey houses totaling over 600 units in a 4.5 acre piece of land. This model is ideal in urban centers where there is scarcity of land. According to the respondents, the government is planning to replicate the model in other areas within Nairobi city and other major towns. The model has however benefited middle and high income earners.

### **4.3.3 Secondary mortgage**

According to respondents from financial partners, this typically refers to a secured loan (or mortgage) that is subordinate to another loan against the same property. Secondary mortgages are subordinate because, if the loan goes into default, the first mortgage gets paid off first before the second mortgage. Thus, second mortgages are riskier for lenders and thus generally come with a higher interest rate than first mortgages.

In real estate, a property can have multiple loans or liens against it. The loan which is registered with county or city registry first is called the first mortgage or first position trust deed. The lien registered second is called the second mortgage. A property can have a third or even fourth mortgage, but those are rarer.

In most cases, a secondary mortgage takes the form of a home equity loan and the two are synonymous, from a financial standpoint. The difference in terminology is that a mortgage traditionally refers to the legal lien instrument, rather than the debt itself. The term length of a second mortgage varies. Terms can last up to 30 years on secondary mortgages, though repayment may be required in as little as one year depending on the loan structure.

A second lien holder can foreclose when a homeowner stops making payments to the second mortgage holder, even if there is no equity in the house. The second lien holder can foreclose even if the homeowner is making payments to their first mortgage holder. When a second lien holder forecloses, they do so subject to the first lien. The second lien holder may purchase the primary (first lien) mortgage which may still be in good standing, but they are not required to do so. Regardless, if the second mortgage holder forecloses, this will result in the homeowner losing their home to foreclosure.

Generally, when considering the application for a second mortgage, lenders will look for the following:

- Significant equity in the first mortgage
- Low debt-to-income ratio
- High credit score
- Solid employment history

#### **4.3.4 Multi-generational home ownership plans**

These are ownership plans that involve a well-organized extended family, bringing together all age groups from babies to 80-year-olds and constituting a successful model in an era characterized by demographic and social change. This ownership plan allows the primary borrower to acquire funds easily and gets to pay the premiums for a very long time usually extending to family members. This type of ownership plan is new to Kenya but could be explored as a means of assisting individuals to own houses. The model would ensure there is housing accessibility and affordability across all income groups.

### 4.3.5 Offshore Financing

These are financial loans or grants extended across many countries. The costs of acquiring the finances are ordinarily lower for the debtor hence the borrowing. Respondents say that this type of financing is fast and easy to acquire. They however say the credit facility should be utilized as fast as possible before the window period expires because the situation may not be sustainable following the credit crunch in United States and European countries. The table 4.3 shows the cost of capital across several countries that the Kenyan government can chose to borrow from.

**Table 4.3 Offshore average lending rates (percentages)**

<b>Country Name</b>	<b>2007</b>	<b>2008</b>	<b>2009</b>	<b>2010</b>	<b>2011</b>	<b>2012</b>
Canada	6.1	4.7	2.4	2.6	3.0	3.0
Switzerland	3.2	3.3	2.8	2.7	2.7	2.7
United Kingdom	5.5	4.6	0.6	0.5	0.5	0.5
Netherlands	4.6	4.6	2.0	1.8	2.0	1.6
United States	8.1	5.1	3.3	3.3	3.3	3.3

**Source: World Bank 2013**

### 4.4 Chapter Summary

The purpose of this chapter was to show policy contribution and effectiveness in addressing housing affordability. The researcher performed an incisive analysis into affordability for government housing by drawing various patterns and relationships with the given variables. While the researcher appreciates that civil servants EAH is affordable owing to special features like extended loan period and unbeatable interest rates, the current models are still way behind in addressing the plight of the low income category of people. The researcher was able to highlight main challenges (political interests and budget constraints) affecting accessibility and affordability and provided various strategies to mitigate that. The next chapter provides a summary of the study conclusions, recommendations and makes suggestions for areas of further research.

## **CHAPTER FIVE**

### **CONCLUSION AND RECOMMENDATION**

#### **5.0 Introduction**

This chapter contains the summary of the findings, interpretations of each result and the implications of the findings. It also puts forward the conclusion and recommendations.

#### **5.1 Conclusion**

Housing is one of the principal sectors that can revitalize economic growth in Kenya with shelter being recognized as one of the tools of development. Investment in housing and related infrastructure and services have effects on the national productivity that go far beyond the direct investment itself by triggering forward and backward linkages.

Since Kenya attained independence in 1963, the Government has addressed shelter issues through various interventions. Despite these interventions, the Kenyan housing sector is characterized by a lack of affordable and decent housing options. Unlike in many other countries the world over, the sector has not been viewed by national economic planners as a priority and key to economic growth and development resulting in the denial of resources to the sector. This has resulted in negligible investment by both the public and formal private sector, particularly in low income housing, leading to the proliferation of slums and informal settlements in virtually all urban areas in the country.

The incentives and market re-engineering measures outlined in this study will play a pivotal role in catapulting the housing sector to work in favor of low-income groups and to play its rightful role in the socio-economic development of the country. Good will and commitment by all the stakeholders is a prerequisite for their operationalization, implementation and success of the projects.

While the government is already offering a very competitive homeownership package to its employees, up to (97%) of its employees still do not have own houses. This is mainly due to funding and political interests.

It is indisputable that the government alone cannot provide adequate shelter to its needy citizens. Future projections on housing needs indicate that this should be catered for by a proportionate increase in investments in housing and infrastructure so as to meet current housing requirements.

Also, given the national budget constraints and the fact that housing is now a legal right under the present constitution, this research found out that Public Private Partnership (PPP) is an idea that contributes positively in bridging the gap. Moreover, for the country to realize the expected future output of the housing stock, the government needs to remodel the affordability challenge by providing social housing.

At this moment in Kenya, the most important strategy to secure future housing for the low income category will be to develop social housing. This will include establishment of Site And Service Schemes and multi-generational mortgage period to mitigate budget constraints, having a vigorous 'pre-upgrading' of the still sparsely built-up unauthorized, informally planned subdivisions to prevent slums from developing, and to secure adequate space.

This research therefore concludes that affordability in providing EAH is a product of the socio-economic factors which play a significant role in delivery of the housing units.

## **5.2 Recommendations**

Following the major findings of the study, the researcher came up with various recommendations that will help to improve on housing accessibility and affordability. The recommendations are drawn from respondents' experiences and insights that will contribute to affordable housing. From a policy approach, the government should;

1. Plan and rebuild decent and affordable housing in the old estates that are sparsely built in order to increase the housing stock through sectional plans.
2. Establish a feedback mechanism to monitor and evaluate the implementation of EAH. This will ensure that the successes of EAH are documented, shared and the emerging challenges identified and appropriate measures taken.
3. Increase budget allocation for civil servants housing so as to increase the national housing stock.
4. Develop policies that are tailored to meet the needs of the very low income category so that other income groups cannot invade despite their financial muscle. This will ensure there is equity across the board.
5. For site and service options, the government can help by absorbing all professional fees and overhead cost.
6. To cater for the low income group, mortgage loans need to be payable over a much longer period than 18 years and provide a grace period, before deducting monthly installments.
7. Deferring budget allocations to certain selected ministries like Defense Ministry for an agreed period to finance housing budget.
8. Examine the possibility and suitability of multigenerational housing loans so as to make the monthly contributions at affordable levels.

### **5.3 Proposed Areas of Future Research**

This research had certain resource constraints. The scope did consider economic impact of EAH. Many employers out there do not have data on cost of losing key employees on account of housing. There is therefore need for further research in the areas of:

1. Value of employer assisted housing in Kenya: Cost Benefit Analysis
2. Strategies of providing EAH for retirees who need houses.
3. Suitability of secondary mortgages to lengthen repayment period.
4. Suitability and appropriateness of multi-generational housing solutions.

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## APPENDICES

### Appendix A: Focus Group and Key Informant Interview Questions

Thank you for participating in this interview/focus group. Your input for this process is important so we can develop a clear picture of the experiences of developers and homebuilders in terms of producing and preserving affordable housing for government employees. I would like to understand what you see as effective strategies that assist/enable the development of affordable housing and what you see as barriers to the development of affordable housing.

For the purposes of this discussion, affordable housing is understood as housing that does not exceed 30% of a household's gross income (CMHC, 2011).

Theme: Policy Review

1. Are civil servants houses sold at cost of profit?
2. What are the interest rates charged to borrowers?
3. What are the other methods of providing low interest mortgages?
4. Does the CSHS department have capacity in monitoring control or EAH?
5. What percentage of people have benefited from EAH since inception in 2004?
6. What affordability measures are currently in place to enforce EAH?
7. What is the proportion of low income to middle and high income civil servants?
8. What is the percentage of home owners among civil servants?
9. If less than 50% why the small percentage?
10. Are the current civil servant houses affordable to low income earners?
11. If not, how can accessibility to housing among the low income be achieved?
12. Please describe the main barriers to affordable housing development that you have experienced.

### Follow-up questions

- a. What kind of impact did the particular barriers have on the development proposal?
  - b. Can you identify a solution(s) to these barriers?
- 
13. Please review the policy table provided. Is it accurate? Is there anything missing?
  14. Please review the survey results summary table provided. Is there anything missing?
  15. Is there an example of a practice or policy to enable affordable housing development that you would point to as a “best” practice or policy?
  16. Are you aware of any strategies used that you think should be implemented to support affordable housing development?

Thank you for participating in this focus group! Your participation will have an important impact on the outcome of this research!

## **Appendix B: Developers and Financial Partners Interview Questions**

For the purposes of this project, we define housing affordability as: shelter costs not exceeding 30% of a household's income.

### Financial partners only

1. As a financial partner, for how long have you worked with the government?
2. What kind of relationship do you have?
3. What projects have you supported the government to finance and implement?
4. What challenges have you encountered in working with the government?

### Developers section only

5. As developers, what housing projects have you developed in Kenya?
6. What successes have you had since you started?
7. Any challenges?
8. Do the housing incentives motivate you to consider low income houses?
9. If not, why?

### *Follow up questions*

- a. How was this successful in terms of affordable housing development?*
- b. Did it have to do with the type of development (rental vs. owned)?*
- c. Was the success attributable to the public framework you were working in? Another reason(s)?*

Thank you for your time and important contribution to this project!