



UNIVERSITY OF NAIROBI  
HOUSING RESEARCH AND DEVELOPMENT UNIT

P.O. BOX 30197 NAIROBI KENYA TELEPHONE 27441 EXT. 212 TELEGRAMS VARSITY

UNIVERSITY OF NAIROBI  
ADD LIBRARY

V REPORT ON A USAID/NHC HOUSING PROJECT  
IN MALINDI //

Author: M.S. Muller, research fellow

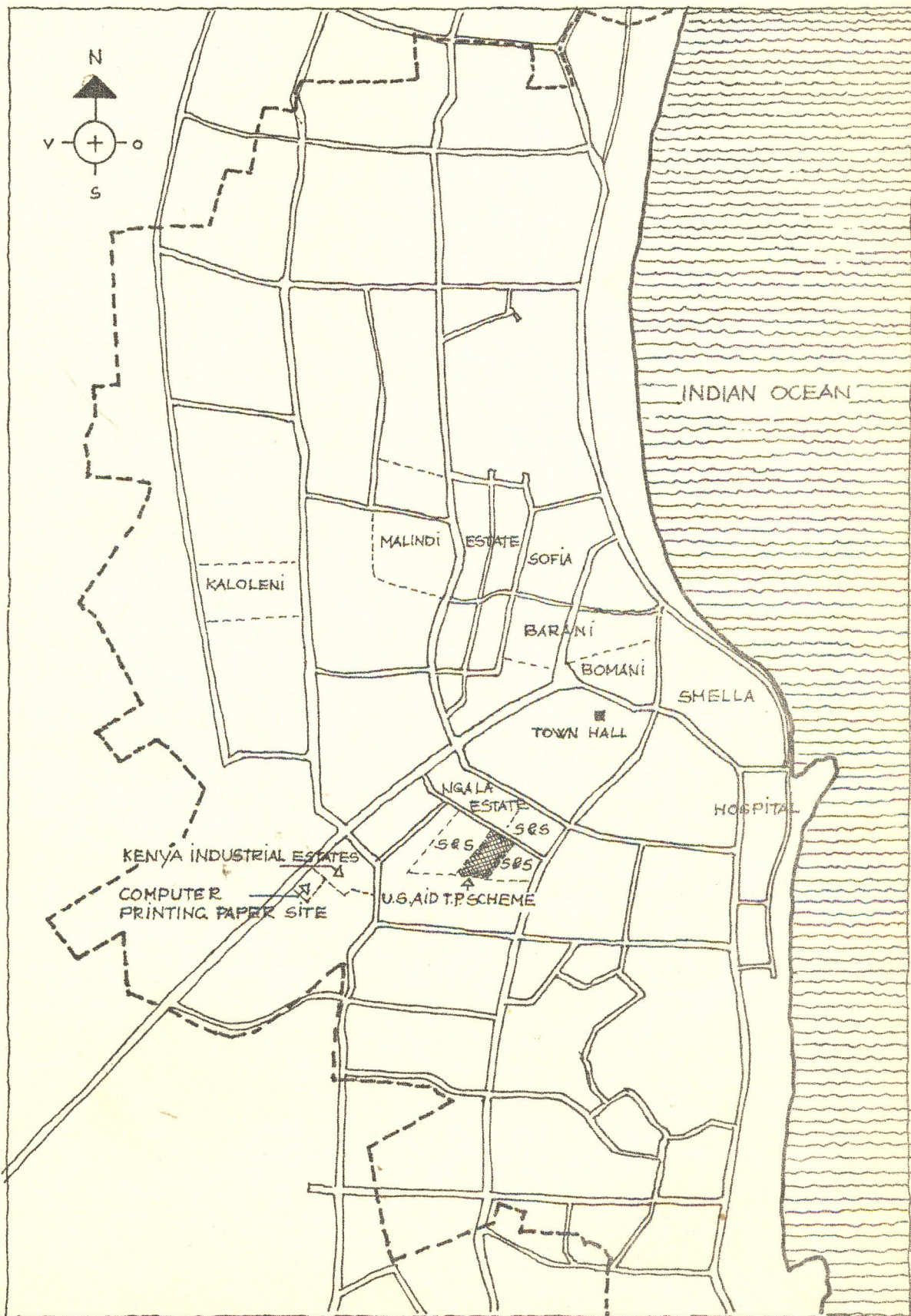
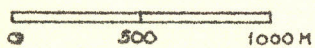
Date: March 1978

Housing Research and Development Unit  
Ag. Director - J. Eygelaar  
P.O. Box 30197, Nairobi, Tel. 27441 ext. 212.

REPORT ON A USAID/NHC HOUSING PROJECT IN MALINDI

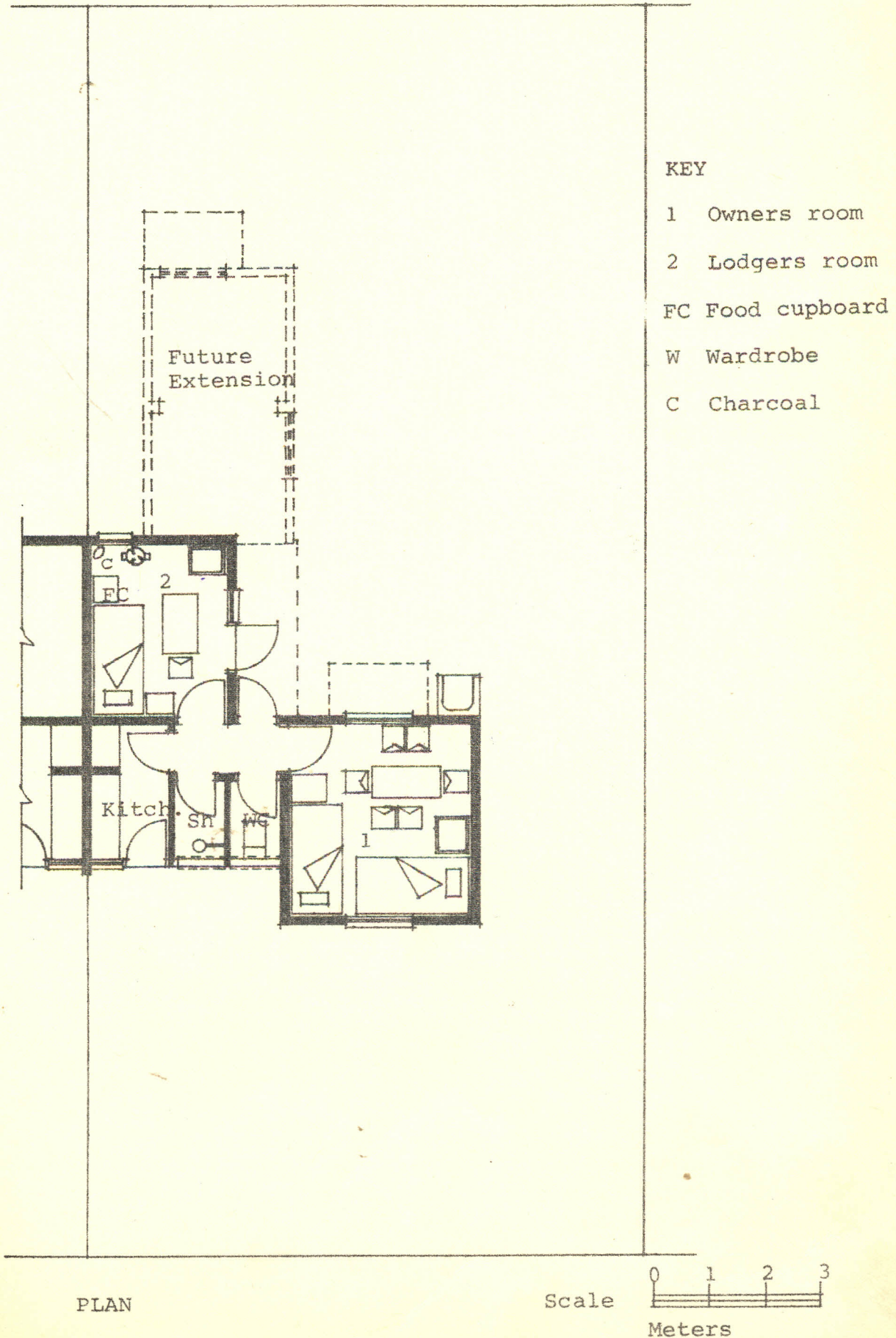
CONTENTS	PAGE
I. GENERAL.....	1
1.1. Introduction	
1.2. Method of investigation.....	2
II. MALINDI.....	3
II.1. Population of Malindi	
II.2. Major existing residential areas	
II.3. Employment.....	4
II.4. Income.....	5
II.5. House allowance.....	6
II.6. Availability of accommodation	
II.7. Anticipated growth.....	9
III. QUESTIONNAIRE SURVEY.....	9
III.1. Introduction	
III.2. The respondents	
III.3. Employment.....	10
III.4. Income	
III.5. Present residence.....	11
III.6. Housing preferences	
III.7. Length of stay in Malindi.....	12
III.8. Information about the tenant purchase houses	
III.9. Reasons for not applying for a tenant purchase house	
III.10. Subletting one room.....	13
III.11. General comments about the housing situation in Malindi.	
IV. THE COUNCIL'S POINT OF VIEW.....	14
IV.1. Opinions about the tenant purchase scheme	
IV.2. Could the scheme have been Cheaper?	
IV.3. Alternatives	
V. CONCLUSIONS.....	15
V.1. Dilemma	
V.2. Lack of housing education	
V.3. Alternative strategies.....	16

# MALINDI TOWN



---  
Town boundary in accordance with unapproved Development Plan.

NHC TENANT-PURCHASE SCHEME - MALINDI,  
LAYOUT PLAN OF HOUSE.



REPORT ON A USAID/NHC HOUSING PROJECT IN MALINDI

1. GENERAL

1.1. Introduction

1.1.1. Responsibility for the report

This report was prepared by the Housing Research and Development Unit, University of Nairobi, at the request of the Regional Housing and Urban Development Office (RHUDO) and USAID/KENYA, in connection with the National Housing Corporation (NHC) Project 615-HG-004. The investigation was carried out by Dr. M.S. Muller and Mr. M. Mulili of the HRDU under overall direction of Mr. J. Eygelaar. The report was written by Dr. M.S. Muller.

1.1.2. Terms of reference

The HRDU was asked:

- to carry out an investigation into the reasons for the lack of demand of the public for 51 tenant purchase houses constructed in Malindi under the NHC project.
- to carry out interviews with Town Councillors, public officials, interested members of the public and to discuss findings with senior Town Council officials before departure from Malindi.
- to suggest and assess alternative strategies (administrative and financial) which might lead to allocation of the houses to the target population.

1.1.3. The tenant purchase housing scheme

The following details are taken from the application form issued by the NHC to interested members of the public.

The project consists of 51 two-roomed houses, each with a kitchen, shower and toilet. The houses can ultimately be extended to three-roomed units. They are available for purchase by Kenya Citizens resident in Malindi, whose family income is between Shs.800/- and Shs.1000/-.

Provisional selling price	Shs.40,000/-
Deposit	4,000/-
Balance repayable by monthly instalments over a maximum period of 26 years	36,000/-
Monthly repayment over 26 years	325/-
Initial miscellaneous costs payable with deposits	100/-

In addition to the monthly repayment tenant purchasers will be required to pay fire insurance, conservancy charges, rates and land rent and also maintain property in a habitable conditions.

The purchaser should intend to occupy the house as his principal place of residence, should not purchase the house for speculation, and should not own any housing unit in Kenya.

Preference will be given to applicants who agree to sublet one room.

A diagram of the house layout is attached.

## 1.2. Method of investigation

The investigation consisted of three parts:-

1. Interviews with persons who had shown initial interest in the tenant purchase houses by asking for an application form, but who had eventually not applied for a house. This is the target group.
2. Interviews with a number of arbitrarily chosen persons about the tenant purchase houses to provide a comparison with the responses of the target group.
3. A review of the main factors which influence the housing demand and supply situation in Malindi.

### 1.2.1. Interviews with non-applicants

The National Housing Corporation provided a list of 74 persons who had asked for an application form. Among those, 39 persons had a postal address in or near Malindi. Malindi Town Council had not kept a similar list of persons who had been given an application form. Only 25 persons could be traced and interviewed. A copy of the standard questionnaire used for these interviews is attached (appendix 1).

### 1.2.2. Interviews with other people

In order get an impression of what a cross-section of the population of Malindi knew about the tenant purchase houses, one of the main streets was selected for a door to door survey. The street runs through two main residential areas of the town, Barani and Bomani. In each house one arbitrarily chosen household was interviewed, with the same questionnaire as used for the target group. About 20 houses were covered.

### 1.2.3. Review of the housing demand and supply situation

The review covered the following factors:-

- population structure
- major residential areas
- employment structure
- income structure
- anticipated growth of employment
- housing supply

Interviews were held with a number of knowledgeable personalities in the town to get information relating to these factors. A list of interviewed persons is attached (appendix 2).

## II MALINDI SITUATION

### II.1. Population of Malindi

According to the 1969 Census the population of Malindi was 10,757. The projected population for 1978 was 18,800 or 4178 households. About half of Malindi's population was born in the surrounding Kilifi District, the other half are immigrants to the town. Our own and local residents' observations show that the largest immigration group comes from Mombasa and Taita/Taveta District. Only a small section comes from upcountry and is mainly engaged in the curio, kitenge and hotel business. The higher levels in the District and Central Government Administration are also occupied by people from upcountry. The local population is employed in low-paying jobs and runs small general shops and workshops. In addition there is a local land and property owning class, which have a different socio-economic background than other residents.

### II.2. Major existing residential areas

There are three main residential areas in Malindi. First, the Government and Council owned areas, then the old urban centre, and finally an unapproved development on private land at the outskirts of the town.

#### II.2.1. Public housing

Government Quarters and Ngala Estate are both rental schemes on Government land in south west direction. Government Quarter is administered by the District Officer, while Ngala Estate (32 units) is administered by the Town Council. This latter scheme was opened in 1972.

## II.2.2. Private housing

Bomani, Borani, Shella and Sophia form the centre of the old town. All land and buildings are privately owned by many individuals. Both land owners, house owners and tenants live here together. Shops, workshops and residential houses are intermixed making for a lively atmosphere. Building standards vary greatly, from mud and wattle houses reinforced with coral stone and with a makuti roof, to concrete block buildings with corrugated iron roofs. Almost all houses have internal courtyards, the door to which is usually firmly closed. Apart from the main roads, the central residential areas have no paved roads, no surface drainage, and no sewers, (though some houses have septic tanks). Water is taken from individual connections against payments or from public wells.

## II.2.3. Unofficial housing

Kaloleni (also known as Kisumu Ndogo) is a 20 acre area lying south west of the town and can not be observed from the main road. This land is owned by one person, a Town Councillor, who rents out building plots for KShs.10/- per month. It is a well laid out area (straight lines and open spaces) and the Provincial Administration through the District Officer provides both public water stand-pipes and individual water connections. Its expansion as residential area started in 1972 and at present about 400 houses have been built. Most house owners live in their own houses, while renting out a few rooms as well. It is rumoured that absentee landlords are on the increase.

## II.3. Employment

### II.3.1. Limited scope

It has not been possible to do a complete employment and income survey in Malindi within the short time available. The information presented here should be taken as an indication of what type of employment is available in the town and what income levels can be expected. The main category which has not been dealt with in this section of the report, is the local property owning group, whose economic activities centre on land and property transactions and renting out property.

### II.3.2. Public employment and tourist hotels

The major sources of employment in the town are the Malindi Town Council, the District and Central Government Administration, the District Hospital and the five tourist hotels. In total they employ about 1428 employees. Few casual workers are employed by these institutions, nor are any laid



off during the slack tourist season.

### II.3.3. The private trading sector

The private trading sector consists of two sections. On the one hand there are the small general shops and workshops owned by a sole proprietor or by a partnership. Of the 300 enterprises licensed by the end of 1976, about 40 were exclusively tourist oriented. On the other hand are 12 limited companies which operate on a large scale for a more sophisticated clientele. These are enterprises like a gemstone dealer, nightclubs, a grocery, chemistry and wholesale/retail traders.\* Taking an average of two employees per enterprise, one reaches an estimated 936 people engaged in the private trading sector in Malindi, as owners or employees. The three branches of commercial banks employ about 30 people. This brings the total to 966.

### II.3.4. Schools

Malindi has one secondary school and an estimated 4 primary schools. Each school has 10 teachers, giving a total of 50 teachers in the town.

### II.4. Income

#### II.4.1. Public employment and tourist hotels

According to estimates made by officials of the major places of employment, the salary structure is as follows in these institutions, (excluding housing allowance).

Place or employment		total employees	salary KShs./p.m.		
			less than 800	betw.800/- and 1000/-	over-1000/-
Malindi	no.	150	120	10	20
Town Council	%	100%	80%	7%	13%
District + Central Administration	no.	120	100	12	8
	%	100%	83%	10%	7%
District Hospital	no.	98	75	8	15
	%	100%	79%	9%	12%
Tourist Hotels	no.	1060	795	212	53
	%	100%	75%	20%	5%
TOTAL	no.	1428	1090	242	96
	%	100%	76%	17%	7%

\*Information received from the District Trade Development Officer (North Coast).

#### II.4.2. The private trading sector

Little is known with certainty about the income structure in this trading sector. Considering the fact that there are so many small shops and workshops in operation, the general level of income may not be very high.

#### II.4.3. Schools

All 10 secondary school teachers earn well over KShs.1000/-p.m. Their house allowances range from KShs.450/- to KShs.750/-. The primary school teachers are all on P3 or P2 grade. We estimate that 50% of them earn between KShs.800/- and KShs.1,000/-, or 30 persons. Further we estimate that 25% earn less than KShs.800/- and another 25% earn over KShs.1000/-, that is in each category 15 persons.

#### II.5. House allowance

##### II.5.1. Public sector, tourist hotels and schools

The Town Council gives a house allowance or a house to non-salaried grades only, whose wages range from KShs.350/- to KShs.900/-. The salaried grades, starting with a salary of KShs.430/- do neither receive a house nor a housing allowance.

The District Administration gives a house allowance between KShs.350/- to KShs.450/- to employees earning between KShs.600/- to KShs.1,000/- per month. Those earning over KShs.1000/- receive a housing allowance of KShs.600/- .

The District Hospital gives a housing allowance of KShs.350/- to all employees earning less than KShs.1000/-. Those, earning over KShs.1000/- receive KShs.600/- to KShs.700/- depending on their exact status.

The tourist hotels do not provide housing for their staff. Instead, all grades receive KShs.70/- house allowance, except the management, for whom special arrangements are made.

Teachers earning less than KShs.800/- per month receive KShs.350/- as house allowance. Those earning between KShs.800/ and KShs.1,000/- receive up to KShs.400/-. Teachers who earn more than KShs.1,000/- receive KShs.400/- or KShs.450/-.

#### II.6 Availability of accommodation

##### II.6.1. Rent levels

The cheapest rooms can be rented in Kaloleni, at the outskirts of the town. The rent ranges from KShs.40/- to KShs.75/-

per room. The cheapest rooms are small, approximately 3 by 3½ metres, made of mud and wattle, with a mud floor and unplastered walls. For a larger room, approximately 4 by 4½ metres, with cement floor and plastered walls and which may have a water connection on the plot, one must pay KShs.75/-.

In areas like Barani, Bomani and Shella, the central town area, rent levels are higher. It appears to be impossible to rent any room there for less than KShs.100/-, even for rooms as small as 3 square meters. A room measuring 4 by 4½ meters might be available for up to KShs.200/-. Most people rent 2 or 3 rooms paying anything between KShs.170/- and KShs.300/-. The more expensive ones have access to more private facilities. An apartment of 3 or 4 rooms may be rented in the range of KShs.300/- to KShs.600/-. A typical apartment consisting of a living room with 3 bedrooms, a kitchen, toilet and store rents for KShs.400/- per month.

In Government Quarters the rent ranges from KShs63/- to KShs.105/- for one or two rooms. For the self-contained 2-roomed houses in Ngala Estate (28 units) the rent is KShs.250/-, for the 3-roomed houses (4 units) the rent is KShs.325/- per month. It is said that there is a long waiting list for Ngala Estate.

#### II.6.2. Shortage of accommodation

The shortage of very cheap plots, houses and rooms in the centre of town is the cause of expansion of Kaloleni.

It is reported that it becomes increasingly difficult to rent a house or rooms in the middle and higher cost brackets. Several reasons may attribute to this. First, the population is growing rapidly due to immigration from upcountry, attracted by the opportunities offered by the tourist industry\*. In particular, 50 expatriate families arrived in the town in 1977 in connection with the Sabaki Water Project. This put severe strain on the housing market, pushing prices up to levels where local residents can not compete. The result is a greater demand for middle cost accommodation.

In 1976/77 the Council placed restrictions on the development of land within the town boundaries. Several large undeveloped properties surround the town. A process of selling or renting out small building plots had started a few years ago without approval of the Physical Planning Department. For the sake of proper town planning this process has been stopped last year.

---

\* Results of the population sample census carried out in Malindi in January 1977 by the Central Bureau of Statistics are not yet available.

The present requirement is that a subdivisional plan must be made by the Physical Planning Department, that the land must be surveyed by a licensed surveyor and the subdivision approved by the Commissioner of Land.

Fulfilling this requirement takes a long time and results in much higher land prices. It is said that the few plots which are still for sale fetch prices three to five times higher than one or two years ago. A virtual building stop results from this.

Despite the high demand for accommodation, a number of vacant rooms are not rented out. The inhabitants of certain streets maintain a closed Moslem community and are not willing to rent out rooms to tenants who do not belong to the same Moslem sect. The extent of this situation is not known.

#### I.6.3. Land prices

The price of plots in Barani or Shella (approximately 15 by 30 metres) may vary between KShs.20,000/- and KShs.40,000/-. The price of building a house of four rooms may vary between KShs.30,000 to KShs.60,000/-. A small amount of building activity is still taking place in the old centre of the town.

#### I.6.4. Private development

The major recent private development is taking place in Malindi Estate, the area adjoining Sophia extending from the town centre. A large property is being subdivided into 700 plots and sold easily to private developers. The Physical Planning Department has made a plan for the area, including schools, religious sites, industrial and commercial plots and playgrounds. The area will be fully serviced. It is said that the majority of buyers are local residents. Plots measuring 15 by 30 metres are being sold for about KShs.10,000/-, larger plots (15 by 60 metres) for KShs.20,000/- to KShs.30,000/-. Building construction started only very recently (beginning of 1978), after instalments had been fully paid to Malindi Estate Ltd., and title deeds had been issued. Some plot owners do not need bank loans for house construction but some did obtain a loan. It is the policy of some banks to issue a small number of loans for house building on commercial terms, that is, with 10% interest and repayable within three years.

We were informed that one house will consist of two 6-roomed apartment two houses will consist of three 2-roomed flats, one double story house will consist of eight 3-roomed self-contained flats, and one house of at least nine rooms. The cost of construction of these houses will vary between KShs.80,000/- to KShs.600,000/-. According to the house owners, the rent of the flats are expected to range from KShs.400/- per month and upwards.

When this private development materializes, it is possible that the higher and middle income earners move out of the cheaper rooms they are now occupying. This would create more rental opportunities for those residents earning between KShs.800/- and KShs.1500/- per month.

#### II.7. Anticipated growth

The National Development Plan 1974 - 78 designated Malindi as an Urban Growth Centre. One of the consequences has been that a Rural Industrial Development Centre has been opened in Malindi. The first eight industrial workshops will be in operation in the middle of 1978, employing a maximum of 80 persons in the initial stages. An extension service covering small workshops in the town and surrounding District has been effective since 1976.

A computer paper industry will be located in Malindi in the near future, and may be a shoe factory as well.

Malindi will continue to develop as a tourist resort. Yet doubt is expressed by certain people about the speed of that development. The effect of the Diani tourist complex (on the South Coast) and of the deposit of alluvial soil sediments of the Sabaki River on the white beaches of Malindi cannot be foreseen.

### III QUESTIONNAIRE SURVEY

#### III.1. Introduction

It had been the intention to compare the response to the questionnaire of two categories of people, i.e. those who had asked for an application form, but had not actually applied for a tenant purchase house (the non-applicants) and those who had shown no interest at all. Although interviews with both categories were held, this report contains only the answers of the non-applicant group. Within the given time limit there was no opportunity to analyse the responses of the general group as well and make comparisons.

#### III.2. The respondents

The National Housing Corporation had made a list of 74 people who had asked for an application form. Among them 39 had a postal address in Malindi. During the survey period 25 persons, among whom two women, could be interviewed. Sixteen men were married. Of the others, six had been transferred to another place, six were unknown or could not be traced in Malindi, and two were not available for an interview.

III.3. Employment

The respondents were employed as follows:-

Government of Kenya (Airport)	: 2	)	
District Officer's Office	: 7	)	
Post Office	: 2	)	
District Hospital	: 4	)	18 in public sec
Water Department	: 2	)	
Rural Industrial Development Centre	: 1	)	
Bank	: 3	)	
tourist hotel	: 2	)	
self-employed	: 2	)	
total	:25		7 in private sector

III.4. Income

The husband's income and his house allowance were the major sources of income in the majority of cases. Only in five out of 25 families did the wife's income make a significant contribution (table 8).

The few households whose income was in the specified income group, relied on the following sources:-

husbands salary KShs./p.m.	husband's house allowance	total income KShs./p.m.
725/-	250/-	975/-
600/-	300/-	900/-
725/-	300/-	1025/-
755/-	300/-	1055/-

In all these cases the house allowance brought the household in the specified income category (KShs.800/- to KShs.1000/-) In the five cases where both husband and wife were working all households exceeded by far the highest income limit for the tenant purchase houses.

husband's salary and house allowance	wife's salary	total income
KShs.3583/-	KShs.3000/-	KShs.6583/-
725/-	1500/-	2225/-
3500/-	1200/-	4700/-
1200/-	700/-	1900/-
2520/-	860/-	3380/-

A breakdown of household income by income element and income level is attached in the appendix (table 9).

III.5. Present residence

The respondents lived in all main parts of the town except in Kaloleni. Three of them lived in their own house, while 22 were tenants (table 5).

<u>Number of rooms occupied</u>	<u>respondents</u>
1	5
2	9
3	5
4	5
no answer	1

Only a small minority occupied only one room.

III.6. Housing preferences

Two questions were asked concerning the respondent's preference for buying or renting a house. The questions seem similar, but differ in their sense of immediacy. In view of the fact that respondents had shown initial interest in buying a house on tenant purchase basis, the answers are interesting. Sixteen respondents said they would prefer to rent a house, but 11 of them were at the moment not looking for one. Six respondents would prefer to buy a house, and four were indeed not looking for a house to buy. In all, 16 respondents had at present no interest in moving from their present place of residence (table 2).

Further, if it were possible for these respondents to buy a house now, 19 of them would want to live in it, rather than renting it out. Among the few who wanted to rent the whole house out, two were basically stationed in Nairobi and were in Malindi just for a short job. It appears that among the category of people who responded to the tenant purchase

advertisement, few see a house as a form of investment, the value of which will rise over time.

A table indicating how much the respondents were prepared to pay for rent, or in the case of buying, how much for a deposit and monthly payments, is attached (table 3).

Among the 9 people actively looking for another house, none was trying to find a place in the old centre of town. Half of them looked for a 3-roomed apartment (see table 6). The area around Ngala Estate was mentioned twice.

### III.7. Length of stay in Malindi

More than half of the respondents have stayed many years in Malindi, i.e. 4 years or more. Eighteen respondents work in Malindi who can be transferred anytime. Only 5 expect to stay their life time in Malindi. Their numbers are increased by those 6 who intend to return to Malindi after their working life, spent possibly elsewhere in the country, is over. In total out of 25 respondents expect to retire in Malindi (table 7).

### III.8. Information about the tenant purchase houses

The availability of the tenant purchase houses in Malindi was advertised twice in both English language papers, and in addition the Town Council sent out a Circular. Asked how they got to hear about the tenant purchase houses, the large majority of the respondents said they had read the first advertisement in the Daily Nation. None had seen the advertisement in the Standard. (Table 10)  
Several respondents regretted the fact that the advertisements contained so little information. They were only informed about the tenant purchase conditions after they had received the application form. Had they known the conditions before, many would not have asked for the form at all.

### III.9. Reasons for not applying for a tenant purchase house

The following reasons were frequently mentioned during the formal part of the interview:-

- the deposit was too high; it could not be raised within a short period.
- the monthly payment was too high.
- the payment period of 26 years was too long (implying that money would be idle while being tied up in the house. After 26 years the owner would be too old to enjoy the house. The resale value after 26 years was very much in doubt).



- rooms were too few, especially for a family.
- rooms were too small, especially for a family and compared with the larger rooms available in the old part of town.
- The eventual cost of over KShs.100,000/- was too high for the real value of the house. Considering its size, the house was hardly worth KShs.40,000/-. Therefore, to have to pay 60,000/- more for it, could not be an attractive proposal.
- Location too far from town.\* That made it unsafe to go out at night, and tiresome during the day, because there are no buses or matatus.

Other reasons were mentioned in free conversations:-

- Lack of privacy, because of the absence of an internal courtyard. The court yard forms an essential element in the Coast building style and is important in local domestic life.
- The closeness of the toilet to living room and kitchen. In strict Coastal, Islam tradition, this can be very embarrassing.
- It is difficult to envisage that one can be the real owner of part of a house. If the houses were detached, one could feel to be the real owner, not so with semi-detached houses.

### III.10. Subletting one room

Since the monthly payment of KShs.325/- is rather high for a household earning between KShs.800/- to KShs.1000/-, the National Housing Corporation had calculated that the subletting of one room for KShs.100/- could ease the burden considerably.

A question was therefore asked about the willingness of the respondents to sublet one room. Two would be willing to rent out the whole house, because they did not intend to stay in Malindi anyway. Of the others, nobody was prepared to sublet one room. The only reason was that the present two small rooms could hardly suffice a family. To part with one room was therefore completely out of the question.

### III.11. General comments about the housing situation in Malindi

All respondents mentioned that there is a serious housing problem in Malindi. The population is growing, and yet they do not see enough houses being built to cater for the growing

---

\* It may be twenty minutes walk to the centre of town.

demand. When the interviewer then pointed to the tenant purchase houses which are ready for occupation, the same objections were raised. They are too expensive, the deposit is too high, and the monthly payments are too high over too long a period.

Housing shortage results in rising rents. Many respondents complained about the sharp increase in rent over the last few years. Respondents suggested that more rental accommodation were built for "reasonable" rents, i.e. up to KShs.250/- or KShs.350/- per month. It was frequently suggested that the tenant purchase houses were converted into rental houses.

If the tenant purchase houses were to attract higher income buyers, they should have been built on 1/4 acre plots, and certainly not in straight lines.

#### IV. THE COUNCIL'S POINT OF VIEW

##### IV.1 Opinions about the tenant purchase scheme

The Councillors and Senior Officers hold similar views as the general public about the tenant purchase houses. Two rooms are not enough for a family. The rooms are far too small compared to what is usually available in town. The selling price is too high, again compared to what could be built using local materials and local labour.

##### IV.2. Could the scheme have been cheaper?

The Council questions seriously the inevitability of the high cost of this scheme. In their opinion construction cost could have been reduced considerably if local registered contractors had been given favourable attention and been awarded subcontracts\*. The Council realizes that transport of machinery and equipment from Nairobi or Mombasa and travelling allowances for supervisory staff must now rest on this project.

##### IV.3. Alternatives

Councillors and Officers express strongly the feeling that this USAID/NHC scheme should benefit the local residents first of all. Since local residents occupy mostly the lower income levels, the Council prefers a solution which would lower the cost of occupation. For this reason, raising the upper income limit for eligible tenant purchase applicants from KShs.1000/- to say KShs.1500/- would not be a good solution in their opinion. They consider that conversion of this housing scheme into a rental scheme, would benefit local low-income residents more. Although no rent calculations have been done by the Council, it is reckoned that rent payments can be lower than tenant purchase payments. A long waiting list for the only

---

\* The HRDU has not gone into the merits of this argument.

Council rental scheme is cited as evidence of the demand for cheap rental units.

As additional advantage it was stated that it would be much easier to control arrears and bad debts in a rental than in a tenant purchase scheme by using the threat of immediate eviction. The risk of financial losses to the Council would be reduced.

## V. CONCLUSIONS

### V.1. Dilemma

The USAID/NHC scheme in Malindi has faced a dilemma which is familiar to the Government of Kenya. The aim of the project was to build a cheap house in accordance to minimum standards (two rooms with kitchen, toilet and shower) which the lower-middle income group could afford to buy on tenant purchase terms, and would use for owner-occupation. The cost of construction, KShs.40,000/-, made this aim difficult to achieve. It was calculated that the KShs.800/- to KShs.1000/- income group could afford to buy this house, if between 30% to 40% of household income was spent on monthly payments. Had the income limit been lowered, to KShs.700/- or KShs.600/-, this would have necessitated lowering the monthly payments while lengthening the repayment period. Yet, people have shown resistance against long-term financial commitments.

The suggestion that household income could be supplemented by renting out one of the two rooms, was completely rejected by the Malindi population.

On the other hand, had the upper income limit been raised or omitted altogether, a different type of buyer might have shown interest. Such a buyer would not have lived in the house himself (being able to afford something better), but would have rented out the whole house. The aim of making home-ownership possible for the middle-income group would have been defeated.

### V.2. Lack of housing education

An important factor which has acted against the popularity of the USAID/NHC scheme is the lack of understanding of the tenant purchase finance system among the non-property owning class of Malindi.

When comparing rental with tenant purchase arrangements, the general public in Malindi is not aware that through a slight increase in rent (between 1/10th and 1/5th higher rent the tenant purchaser will become full owner of the house after a given period (26 years in this case). The person who pays rent for his house, will continue paying rent without ever acquiring ownership of that house.

The general public is not aware that a tenant purchase agreement fixes the monthly payment for the full period of the agreement and that the giver of the loan can not impose an increase of this payment at any time. Rental houses, however, will be subject to rent increases from time to time.

Due to general inflation, the sales value of the house after 26 years will be well above the present day price, provided such minimum maintenance is given to the house that the structure does not unduly deteriorate. The type of construction and materials used will guarantee a lifespan of the house well beyond the loan period. This is another aspect which the general public in Malindi has not yet understood, with exception, of course of the traditional urban property owning class in the town.

It appears that the local property owning class in Malindi is a fairly closed group, which is only slowly communicating its experience in the housing business to other local residents.

In addition, the town has been developing very slowly until recently. Consequently, the majority of the local residents are less experienced in housing finance and management than their counterparts in rapidly developing towns in Kenya.

### V.3. Alternative strategies

Four alternative strategies for dealing with the present situation can be envisaged.

1. to maintain the tenant purchase arrangement, but alter the conditions of eligibility and repayments, so as to attract a wider category of applicants, both in lower and in higher income groups.
2. to sell the houses outright.
3. to convert the tenant purchase arrangement into a rental arrangement.
4. to convert the tenant purchase arrangement into a rental arrangement, but giving individual tenants

later the option to buy the house on tenant purchase basis.

1. The first alternative, changing the tenant purchase conditions, does not seem a viable alternative. Lowering the income criteria would have unacceptable consequences for the repayment period. Raising the income criteria would have unintended consequences for the type of ownership it would attract, as set out above. A change in conditions would not solve the dilemma.
2. The second alternative, selling the houses outright, might attract another section of the local population, the local property owners. Yet, private development going on elsewhere in town is a much more interesting proposition to them, because the plots are large enough to allow the construction of at least six large rooms suitable for subletting.
3. Conversion into a rental scheme appears to be the most viable solution. The scheme would remain under full control. The rent level could be manipulated so as to compare favourably with rent levels in the centre of town. Moreover, an administration system is already in operation to handle the existing 32 units. This could easily be expanded to incorporate 51 more units.
4. The variant on the last mentioned alternative is to give tenants the option of buying the house on tenant purchase terms after a few years. They should be informed well in advance of this option to give them time to raise the deposit. The advantage to the Council would be that it could pay off the loan to the NHC in 20 years instead of in 40 years.\* A proposal for the financial details of this alternative has been attached as appendix 3. This alternative might teach the population to appreciate housing finance systems. Finally, this alternative might after all achieve the aim behind this housing scheme, i.e. to provide home ownership for the lower-middle income group.

---

\* Normal period for NHC loans to Councils:

- 40 years for rental schemes
- 20 years for tenant purchase schemes

H.R.D.U. UNIVERSITY OF NAIROBI/U.S.A.I.D.  
MALINDI QUESTIONNAIRE

---

1. Name of applicant.....M/F  
DEMOGRAPHIC
2. Is applicant head of household? 1.Y/2.N
3. Is applicant 1.single 2.married 3.divorced/separated  
4. widowed
4. How many years has applicant worked in Malindi?.....  
RESIDENTIAL
5. In which part of town is your present house?.....
6. Are you 1. the owner or 2. a tenant of that house?.....
7. IF TENANT, Is the house owned by 1. employer or  
2.private landlord?
8. How many habitable rooms do you occupy?.....
9. What is the rent per month?KShs.....
10. If you would have to move from this house, would you  
prefer to 1.buy a house or 2. rent a house?
11. IF RENT, How much could you afford for another house?  
KShs.....p.m.
12. IF BUY, How much could you afford for deposit? KShs.....
13. And how much for monthly payments? KShs.....
14. Are you now looking for another house? 1.yes 2. no
15. IF YES, what type are you looking for? 1. rent 2. buy
16. Number of rooms?.....Part of town?.....
17. Suppose you could buy a house of permanent materials  
now, would you want 1. to live in it yourself,  
2. rent it out?
18. How long do you intend to live in Malindi?.....
19. Suppose you could work in Malindi until retirement, would  
you after retirement want 1. to stay in Malindi  
or 2. go elsewhere?.....  
ECONOMIC
20. Main occupation of household head.....
21. 1.employed 2. self-employed. IF EMPLOYED, Who is the  
employer?
22. ....
23. Where is the place of work of HHH (area of town).....
24. What was HHH's income from this work last month  
(before deductions)?
25. KShs.....Does he get a housing allowance?  
1.Yes 2. No
26. IF YES, how much per month? KShs.....Any other  
allowance? Y/N
27. IF YES, Which?.....Per month KShs.....
28. Does HHH do any other work or business? IF YES, What  
type of work?.....
29. Income from that last month (before deductions)? KShs.....
30. Is the wife working? 1.yes 2.no. IF YES, What type of  
work?.....
31. ....Income from that work last month
32. (before deductions)? KShs.....
33. OFFICE: TOTAL INCOME LAST MONTH FROM WORK OF HUSBAND  
AND WIFE, INCLUDING HOUSING ALLOWANCE: KSHS.....

TENANT PURCHASE HOUSES

34. How did you hear about the tenant purchase house?  
(Which newspaper, friends etc.).....
35. When did you hear about it?.....
36. It seems that many people are not interested in buying  
one of these tenant purchase houses. Why do you think  
this is so?.....  
.....  
.....
37. What about yourself, why did you decide not to apply for  
a tenant purchase house? (his own opinion).....  
.....  
.....
38. Did (in addition to what you just mentioned) any of the  
following reasons apply to your own decision not to  
apply for a t.p. house?  
a. deposit too high : yes/no  
b. monthly payment too high : yes/no  
c. monthly payment too low : yes/no  
d. payment takes too long : yes/no  
e. rooms too few : yes/no  
f. rooms too small : yes/no
39. Have you ever thought about subletting one room of these  
tenant purchase houses, so as to increase your own  
income?.....
40. Is there anything else you want to say about the housing  
situation in Malindi?.....
41. Have you applied for a plot in the site and service  
scheme? 1. Yes 2. No
42. IF YES, Why did you apply?.....
43. Could you afford higher tenant purchase payments  
(higher than 325/-) 1. yes 2. no
44. Could you afford to buy the T.P. houses outright?  
1. yes 2. no.

PERSONS INTERVIEWED

Cllr. wa Baya	Chairman of the Council
Cll Abubakar M. Badawy	Vice-Chairman of the Council
Cllr. Japhet Luganje	Member of the Council
Cllr. Henry Kalinga	Member of the Council
Mr. M.M. Kupalia	Town Clerk
Mr. D.H. Randu	Deputy Town Clerk
Mr. Samuel Charo Marabu	Town Foreman
Mr. E.C. Munga	Public Health Officer
Mr. Said Ally Said	Clerk of Works, National Housing Corporation
Mr. R.N. Kaniaru	District Officer
Mr. C.A.B. Kanyang'onda	District Trade Development Officer Kilifi/Lamu/Tana River (North Coast)
Mr. A.M. Nyamongo	Acting District Hospital Superintendent.
Mr. Rawji Dewji	Malindi Estates Ltd.
Mr. Swaleh Mahdi Swaleh	" " "
Mr. Ali Mohamed	" " "
Mr. J.M. Ndolo	Manager, Rural Industrial Development Centre.
Mr. A. Mokora	Branch Manager, Standard Bank.
Mr. Harjit Singh	Branch Manager, Barclays Bank.
Mr. F. Chipande	Assistant Manager, Sindbad Hotel.



NHC/USAID TENANT-PURCHASE SCHEME IN MALINDI

Alternative solutions (financing and tenureship)

1. Tenant-purchase on USAID loan

a. Present financing system (26 years loan period)

Down payment Shs. 4,000      Monthly charge Shs. 325

b. Down payment reduced

Down payment Shs. 2,000      Monthly charge Shs. 343

c. Down payment abolished

Down payment      nil      Monthly charge Shs. 361

As the latter monthly payment is far above the present rent level in Malindi for similar accommodation, it is unlikely that this arrangement would attract many applicants.

2. Rental housing with NHC financing system

Terms :  $6\frac{1}{2}$  % per annum, loan period 40 years.

Monthly charge on Shs. 40,000      Shs. 235

In order to cover minor maintenance costs, etc., during the first five years, the initial rent could be fixed at Shs. 250 per month.

Maintenance costs during this initial period would be low (new houses !). Increased maintenance costs and expenses incurred by bad debts, periods of vacancy, etc., could be covered by small rent increases after the initial period of 5 years.

3. Rental housing with option to buy at a later date

Tenants could be given the option to take over the houses at a later date under the NHC tenant-purchase arrangement.

Terms : interest  $6\frac{1}{2}$  % per annum, loan period 20 years.

a. No down payment - monthly charge Shs. 303

b. Down payment Shs. 2,000 - monthly charge Shs. 289

c. Down payment Shs. 4,000 - monthly charge Shs. 273

d. Down payment Shs. 7,000 - monthly charge Shs. 250

In the latter case the tenant would continue to pay the same rent, but would own the house after 20 years, provided he could raise a down payment of Shs. 7,000

Table 1. Respondents

Male		Female	Total
Married	Single	Single	
16	7	2	25

Table 2. If you would have to move from this house would you prefer to rent or buy a house?

Are you now looking for a house?		to rent	to buy	no answer	total
		to rent	5	-	-
	to buy	-	4	-	4
	not looking	11	2	3	16
	total	16	6	3	25

Table 3. If you would have to move from this house, how much could you afford to pay?

to rent		to buy		no answer
KShs/pm.	no.	deposit KShs.	KShs./pm.	
100/-	2	50,000/-	1,000/-	-
150/-	1	1,000/-	300/-	-
250/-	3	10,000/-	800/-	-
350/-	6	1,000/-	300/-	-
450/-	1	3,000/-	200/-	-
650/-	1			-
700/-	1			-
1000/-	1			-
Total	16	6		3

Table 4. If you could buy a house of permanent materials now, would you want to live in it or rent it out?

live in it	rent it out	total
19	6	25

Table 6. If you are now looking for another house how many rooms, in which area do you want?

Area	Ngala	Seafront		Kaloleni	Airport	Elsewhere		Total
	Rent	Rent	Buy	Rent	Rent	Rent	Buy	
1	1	-	-	-	-	-	-	1
2	-	-	1	1	-	-	-	2
3	-	1	1	-	-	1	1	4
4	-	-	1	-	-	-	-	1
5	-	-	-	-	-	-	-	
6	-	-	-	-	1	-	-	1
not looking	-	-	-	-	-	-	-	16

Table 7. How long do you intend to stay in Malindi?

Years worked in Malindi	Intention to stay	Life time	Transferrable	As long as business is good
	less than 1 year		-	1
1 - 3 years		1	9	-
4 - 6 years		2	6	2
7 - 9 years		-	1	-
10 -12 years		1	1	-
Over 12 years		1	-	-

After retirement: go to	Stay in Malindi			
			5	6
	Maragoli	-	1	-
	Murang'a	-	-	1
	Kangundo	-	1	-
	Machakos	-	2	1
	Molo	-	1	-
	Kisumu	-	1	-
	Kilifi	-	3	-
	Taita	-	3	-

Table 8 Sources of Income

husband's main salary only	8
husband's main salary + house allowance	12
husband's main salary + extra income	-
husband's salary + house allowance + wife's salary	5
Total	25

Table 9 Household income

KShs/p.m.	husband's		all sources together
	main salary only	main salary + house allowance	
less than 799	8	4	3
800 - 999	2	2	2
1000-1199	4	5	5
1200-1399	-	1	-
1400-1599	3	3	3
1600-1799	3	2	2
1800-1999	-	-	1
2000 and over	5	8	9
Total	25	25	25

Table 10. How did you hear about the tenant purchase houses?

Source of information	No. s
Daily Nation, 1st advertisement	14
Daily Nation, 2nd advertisement	4
Standard	-
Council Circular	4
Friend	2
Daily Nation, date unknown	1
Total	25

Table 11. Reasons for not applying for tenant purchase houses

Reason	Yes	No	No answer
Deposit too high	18	7	-
Monthly payment too high	19	6	-
Monthly payment too low	1	24	-
Payment period too long	25	-	-
Rooms too few	22	3	-
Rooms too small	22	2	1

Table 12. Could you afford higher tenant purchase payments?

	Yes	No	No answer
No. s	2	14	9

Table 13. Could you afford to buy the tenant purchase house outright?

	Yes	No	No answer
No. s.	2	15	8