UNIVERSITY OF NAIROBI

SCHOOL OF BUILT ENVIRONMENT

DEPARTMENT OF REAL ESTATE AND CONSTRUCTION MANAGEMENT

AN INVESTIGATION OF FACTORS CONTRIBUTING TO FAILURE OF LOCAL AUTHORITIES TO MEET FINANCIAL OBLIGATIONS: A CASE STUDY OF CITY COUNCIL OF NAIROBI ESTATES FUNDED BY NATIONAL HOUSING CORPORATRION

BY

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DECLARATION

Declaration by candidate

I, **TONY WANYUTU NDUA** do hereby declare that this research project is my original work and has not been presented for any degree in any other university.

Signature .... Date ..22-07-08.....

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Supervisor's declaration

This project has been submitted for examination with my approval as a University supervisor.

Signature .... Date ..July 22, 2008..

Mr. Nicky Nzioki

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ABSTRACT

Shelter is one of the most basic of human needs. Governments are obligated to make provisions for the satisfaction of this need, in conjunction with the private sector. In spite of efforts usually made, the demand for adequate shelter continues to be a challenge, especially due to rapidly growing population. The challenge is especially acute in urban areas where migration for employment opportunities and a better life are experienced. The Government of Kenya, through the N.H.C., established a financing mechanism to fund housing development in Kenya. The N.H.C. liaised with various local authorities to develop various housing projects to meet this demand for shelter. Unfortunately, several local authorities were unable to service the loans advanced to them by N.H.C.

The purpose of this study was to investigate the reasons for the inability of those local authorities to meet their financial commitments. To do this, a case study of the largest local authority in Kenya, the City Council of Nairobi was carried out to investigate the role of key factors in the repossession. All of the six rental housing estates whose management was taken over by N.H.C. were included in this study.

Data for this study was collected through the use of questionnaires and interview schedules. These instruments sought to collect information on the contributions of three factors to the take-over: human resource, debt/rent collection and the financial management practices.

The data collected was analysed descriptively by the use of descriptive statistics. The study results showed that the City Council of Nairobi did not effectively plan and execute its management functions over the housing estates and other projects developed with the funding from the National Housing Corporation. This resulted in N.H.C's decision to take over the management of six rental estates. These findings were inferred from the qualitative design through the in-depth case study approach.

Conclusions drawn from the findings therefore indicated that the three factors isolated for investigation into their role in the take-over are indeed significant. Several recommendations considered essential for the management of housing development by local authorities were made.

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List of Acronyms

C.C.N.	City Council of Nairobi
N.H.C.	National Housing Corporation
SHSC	Social Housing Services Corporation
N.D.P.	National Development Plan
L.G.L.B.	Local Government Loans Board
LATF	Local Authority Transfer Fund
LGLA	Local Government Loans Authority
LGA	Local Government Act
UNEP	United Nations Environmental Program

1 CHAPTER ONE

INTRODUCTION

1.1 Background to the Study

Shelter is one of the physiological needs of human beings and is critical to the well being of humanity. Housing is also an important investment generating rental income and also acts as a hedge against inflation. Provision of housing is crucial to a country's economic growth and development. This is because the construction activities create employment in both the formal and informal sectors. According to Ibrahim (1993), the need to provide housing stems from the need for shelter. Shelter refers not just to the protection against the elements of weather but also the satisfaction of the economic, social and psychological needs of a household.

Investment in the housing industry by the various parties interested in housing provision is carried out only when there is effective demand. Demand is affected by many factors such as levels of income, tastes and preferences, cultural attachments, population levels, price of old and new housing stock as well as impact of government policies on the housing market, among others.

In most developing countries, there exists great demand for housing but this demand lacks the effective purchasing power due to low income levels. In addition, the existing housing stock in these countries is inadequate both in terms of quality and quantity (Okeyo, 2002).

Provision of housing in Kenya is by both the public and private sectors. The private sector is mainly concerned with profit maximisation where private investors in housing wish to derive profits from these investments. The public sector, that is the government, is motivated by the need to meet social-psychological goals such as comfort, privacy; political goals such as meeting citizens' demands for shelter in party manifestos and electoral pledges thus enhancing political legitimacy; and economic goals such as incomes from housing investments, employment creation in the housing sector and equitable distribution of resources. The government does this through the central government and local authorities.

According to the National Development Plan (2003-2008), the housing demand has been growing and will continue to grow, outmatching the abilities of both the public and private sectors to provide adequate housing. In lieu of this, the local governments in a bid to meet the housing demand in the country approached the National Housing Corporation to finance proposed projects.

In order to meet the growing demand for housing, the Government of Kenya has developed several avenues to meet this need. The ministry of housing is responsible for development, implementation and co-ordination of housing policy in Kenya. It has under it a parastatal, the National Housing Corporation which develops housing units for the low income earners and middle income earners. In addition, it is the body through which the Government channels funds to the local authorities in form of loans. The Ministry of Local Government also addresses the issue of housing through the various local authorities in the country.

The Local Government Act Cap 265 of the Laws of Kenya provides for the establishment of local government authorities and defines their functions. The local authorities acting in accordance with the provisions of the Local Government Regulations (1963) with respect to the raising of loans borrowed from the National Housing Corporation which lent the monies in accordance to the powers vested in it by the Ordinance. In some situations N.H.C. not only lent the money, but also designed and lent technical assistance to local authorities that did not have the expertise required.

1.2 Problem Statement

The National Housing Corporation was originally the only body through which the Government channelled housing funds to the local authorities and the public. According to the powers conferred to it by the Act, the corporation can draw money from the Housing Fund to buy and develop land on its own, lend money to local authorities, institutions and individuals for purposes of housing.

Some of the money for the Fund was loaned to the corporation by the government at a 6% interest rate. It is from this fund it lent the Nairobi City Council money for the construction of several estates within Nairobi such as Kariokor, Madaraka, Jamhuri, Kariobangi South, Huruma, Buruburu, among others. It also lent money to the council for slum upgrading projects such as Pumwani. It lent to the council at $6^1/_2$% interest rate and was for periods as long as 40 years.

According to the agreements, should the council fail to make (in part or in whole) any annual payment in the manner and time specified, that annual payment shall remain unpaid and shall bear interest at a rate that the corporation will specify from time to time until the actual date of payment. In 1990, an amendment was made to the Housing Act. Sec 9 of the Act stipulates that where a local authority defaults in the repayment of debt charges due to the Corporation, the Corporation shall take over the management of the property developed by the local authority using funds borrowed from the Corporation and assume collection of any monies payable to the local authority by the beneficiary until the outstanding debt is recovered substantially or in full. Upon taking over the management of the property, the Corporation shall have the same rights and obligations as the local authority has on respect of the developments financed with funds provided by the Corporation. Any shortfall experienced as a result of the Corporation exercising its powers shall be recovered from any other securities provided by the local authority or as civil debt recoverable summarily.

After this amendment, the corporation took over of virtually all local government authority houses that it had financed countrywide. Some of the councils are in Athi River, Busia, Eldoret, Kakamega, Kisumu, Kitale, Meru, Mombasa, Naivasha, Nakuru, Nyeri, Olkalau, Thika, Vihiga and even Nairobi. This raises the question "why?" since all these are in urban centres where demand for housing is high thus plenty of tenants and purchasers who are willing to pay.

1.3 Research Objectives and Questions

The study investigated the factors leading to the take over of Local Authority houses by the National Housing Corporation. Specifically the study seeks to find out:

i. The role of the human resource factor.

ii. The role of the rent/debt collection factor.

iii. The role of financial management practices factor.

1.4 Hypothesis

The City Council of Nairobi did not properly manage the estates developed using the loan from the National housing Corporation leading to inability to service the loan hence take over.

1.5 Scope of study

This study focused on six estates- Madaraka, Kariokor, Jamhuri, Kariobangi South, Huruma and Buru Buru- in order to clearly understand the role of the factors identified as important in the take over of the Nairobi City Council estates. The study also focused on the three key factors influencing the take over: human resource, debt collection, and financial management practices.

1.6 Significance of the Study

The outcomes of this study will be of significance to the following players in housing:

i. Local Government Authorities will be aware of the critical factors that influence successful management of houses funded by development partners and so prevent future take over of such houses.

ii. National Housing Corporation will be aware of the key areas to examine in the course of drawing out funding contracts with such customers as the Local Government Authorities so that their scarce funds and other resources are not unduly tied up in unsuccessful investments.

1.7 Definition of key terms

Annuity – This is a fixed amount payable yearly for a certain or uncertain period e.g. where it is for life. In this case it means the annual payments payable by C.C.N. annually to service its debt.

Debt – Something e.g. money, goods of services owed by one person to another.

Local Authority – This refers to either a municipal, county, town or urban council

Take-over – This is the act or action of taking assumption of management, control, ownership or possession of another's property. In this case it is the assumption of management and control of local authority housing estates by N.H.C.

Amortise – To make small regular payments in order to provide for the gradual extinguishment of an obligation e.g. mortgage.

1.8 Organisation of the Rest of the Study

The rest of the research report is organised into four other chapters.

Chapter Two presents a review of the literature, theoretical and empirical, related to the study.

Chapter Three describes the research design and method used in the conduct of the study.

Chapter Four presents, analyses and discusses the data collected from the research activity.

Chapter Five presents a summary of the study and findings, draws conclusions and makes recommendations.

2 CHAPTER TWO

2.0 LITERATURE REVIEW

2.1 Introduction

This section reviews the theoretical and empirical literature that helps to put the research study in perspective. The study proposes to investigate the key factors leading to the take over of houses owned by the City Council of Nairobi by their financier, National Housing Corporation. The factors are the human resource, rent (debt) collection and financial management practices. The literature reviewed describes the role of local authorities in the provision of housing globally and in Kenya; the mechanisms of involvement in housing provision by local authorities globally and in Kenya; a highlight of the legal framework guiding the provision and management of housing in Kenya; and the case study of the take-over of housing developments owned by City Council of Nairobi through the financing of the National Housing Corporation.

2.2 Role of Local Authorities in Provision of Housing

Local authorities globally are taking an increasingly strategic role on housing. This role starts from their unique ability to identify local needs and priorities, in the knowledge that the quantity, quality and type of housing are essential to the health and wealth of an area. As the community leaders, local authorities are best placed to develop and drive forward housing strategies for their areas and co-ordinate the involvement of stakeholders and partners in the strategic process. Local authorities can take an overview across all tenures using their planning powers as well as housing policy to deliver national, regional, local and community priorities. They are in the right place to work with others, including housing associations, regional housing and planning bodies, the private sector and residents to deliver effective housing services to local communities.

2.2.1 Local Authorities and Housing Provision in Developed Countries

Fuerst (1974) observed the housing conditions for the blue and white collar workers in the U.S.A. and Western Europe and concluded that private housing under a free market mechanism does not provide adequately for middle to low income households. It only serves a part of the population and leaves a large group of families untouched. Government intervention therefore became axiomatic and by 1970, the questions remaining in most western nations were: how much housing should be provided by government aid, of what kind, at what level and where would the money come from specifically, and who would control it?

In Canada and the U.S.A., initial public housing by local authorities was largely slum regeneration, with no nation wide expansion of public housing. This helped ease the concern of a health conscious public by eliminating and altering neighbourhoods commonly considered dangerous and reflected progressive-era sanitation initiatives. Public housing in the U.S. was only built with the blessing of the local government, and projects were almost never built on the suburban Greenfields, but through regeneration of older neighbourhoods. The destruction of tenements and eviction of their low-income residents consistently created problems in nearby neighborhoods. Public housing in the US has been overhauled in recent years after criticism that neglect and concentrated poverty have contributed to increased crime. In Canada, following the decentralization of public housing to local municipalities, Social Housing Services Corporation was created in the Province of Ontario in 2002 to provide group services for social housing providers. The SHSC is a non-profit corporation which provides Ontario housing providers and service managers with bulk purchasing, insurance, investment and information services that add significant value to their operations.

In the U.K., powers permitting local authorities to build houses were at first restricted to re-housing of families displaced by the slum clearance, but later legislation established the principle that local authorities could erect workers dwellings whenever they considered them necessary (Cullingworth ,1966). He further notes that Liverpool was the first local authority to erect houses in 1896. Council houses are a form of public housing found in the U.K. They were built and operated by local councils for the benefit of local population. As of 2005, approximately 20% of the county's housing stock was owned by local councils or by housing associations. In 1890 after a Royal Commission held in 1885, the Housing of the Working Class Act was enacted which encouraged local authorities to improve the housing in their areas.

However, just as in many ways of social policy, it was the war that acted as a major catalyst. The First World War indirectly provided a new impetus when the poor health and condition of many urban recruits to the army was noted with shock and alarm. Cullingworth (1966) notes that Lloyd George promised *Homes fit for Heroes.* In conditions following the war, there seemed no way for these to be provided on the scale needed and at rents which the heroes could afford other than by local authorities and with financial assistance from the exchequer. The UK government assisted councils by provision of subsidies through Housing Act 1919. After the Second World War, there was a boom in council house construction since over four million houses had been destroyed or damaged during its course. Council house provision was shaped by the New Towns Act 1946 and Town country Planning Act 1947.

Council housing declined sharply in the seventies and eighties as the Conservative government advocated for home ownership. Balchin (1995), notes that local authority housing dropped from 32% in 1970 to 21% in 1990. He adds this was as a result of change in policy. Rules restricted councils' investment in housing, prevented them from subsidizing it from local taxes, and more importantly allowed council tenants the right to buy their council houses on very attractive financial terms. The Right to Buy Scheme allowed the tenant to buy their home with a discount of up to 60% of the market price for the houses and 70% for flats, depending on the time they had lived there. Councils were prevented from re-investing the sale proceeds in housing. Most councils have transferred their housing stock to not-for-profit housing associations, who are now also the providers of most public sector housing.

2.2.2 Local Authorities Involvement in Housing in Africa

African cities are still young and small, but are growing faster than in any other world region. This growth occurs in a context of a meagre resource base. This puts increasing pressure on planners to devise solutions for the adequate and equitable distribution of urban services.

In Kenya and Tanzania, policies focus on housing for the low income groups. However, in reality, efforts of specialised parastatals in public housing provision are on middle-income groups and usually develop conventional housing. They have failed to provide adequately for low-income groups. In addition, municipal by-laws do not permit lower standard development hence leave low-income groups from conventional permanent housing and authorised areas. This has led to the growth of urban squatters.

Local government authorities in both countries have supplemented central government efforts in public housing provision but the role is carried out more remarkably in Kenya than in Tanzania. Tanzania's local councils have human resource constraints such as availability of sufficient and well motivated town planners (Stren, 1975).In Kenya; public housing traces its origin from the colonial era where the British, in line with policy formulation and implementation in their home country, extended it to other countries. The present form of local government housing bears origin from the British system which is famously referred to as council houses. Public housing in the country, however, took root in the later half of the 20th Century, with estates like Madaraka being constructed (Chomba 1987).

2.3 Mechanism of Housing Provision by Local Authorities

2.3.1 Mode of Housing provision by Local Authorities

Local authorities can provide housing through both conventional and non-conventional methods.

a) Conventional Housing

Conventional housing embraces the provision of finished housing units together with their constituent services. The housing units may come in the form of bungalows, maisonettes, terraced houses or flats. They may be offered for rental or owner-occupier. This approach was pushed by the perception that that consumers could not be left to maintain standards hence the need for a uniform player, the Governments through local authorities. In general, the underlying assumptions of public housing were that it would be affordable, effective, and eventually eliminate unsanitary conditions and town planners' perceived disorder in squatter settlement (Pugh, 1994).

Most developed countries by the mid twentieth century had already constructed conventional houses for the public while at the same time meeting the housing demand. This was made possible by the availability of funds.

In developing countries on the other hand, conventional housing began in the 1950s when Central Governments in these countries borrowed housing programmes from the developed countries, resulting in construction of standardized houses on the edges of cities where land was cheap. These houses were heavily subsidized to ensure the poor could afford them (Burgess, 1992). However, conventional housing was not able to meet demand in these countries. This was because the standard of the houses was high, resulting in very few constructions. These subsidies further made replication impossible due to the low cost recovery.

In Kenya, the C.C.N. and the wider public sector provided conventional housing either for rental or for sale. This approach had little impact on housing need, because the dwellings provided were invariably not affordable to low-income groups. Moreover, the subsidies that underlay public housing were, on the whole, both inefficient and inequitable. Many tenants occupy prime properties rented out by the C.C.N. at rents far below the market rates.

b) Non-conventional housing

Non-conventional housing culminates from weaknesses in the conventional approach and involves a combined effort by different stakeholders. It is achieved through state help and self help approaches. This approach started in Latin America in the early 1960s. It marked the beginning of a gradual acceptance of squatter settlements and illegal sub-divisions in the cities of the developing world, finally acknowledging the effectiveness of the self-help practices that the poor had long employed independently of the state.

In Kenya, the Government in the 1970s realized that slum clearance and public housing could not alleviate the problem of inadequate shelter, thus recognizing the political and financial realities and acknowledging the inevitability of informal settlements. The 1970/74 National Development Plan (N.D.P.) stated that demolitions would be postponed until such a time that the housing shortage was met. The Government policy shifted from the conventional housing policy to a realistic housing provision policy. Starting in the mid-1970s, the C.C.N. received substantial support from foreign donors and the N.H.C and was able to focus its attention more on the shelter needs of lower-income groups. A second generation of housing projects thus emerged, largely taking the form of sites and services and core housing, the erection of a demonstration unit by the local authority which the prospective buyers model their own units.

The first of these was the Dandora community development project to the east of the city, implemented between 1975 and 1978 and financed jointly by the World Bank and Government through N.H.C. It consisted of 6,000 serviced plots of 100-160 m^2 each, with individual water and sewer connections, access to roads, security lighting, and refuse collection services. The project included community facilities such as primary schools, health centres, multi-purpose community centres, and market stalls. The beneficiaries were intended to be poor households, but, although some low-income families were allocated plots, many allottees were not in the lowest income group, many plots had absentee landlords, and many residents were tenants (Syagga and Kiamba, 1988). This was followed by the Second Urban Projects in Mombasa, Kisumu and Nairobi.

2.3.2 Source of Finance for Housing Provision

Whatever the mode, the local authorities can provide the housing on their own or in partnership with both local and international organisations. Source of funds to provide housing can be through several means:

- Local authorities' own revenue from rates, fees, levies and duty, and from rents of existing property.
- The local authorities can go into partnership with development partners both local and international in a bid to provide housing.
- The local authorities can get grants from the government.

- The local authorities can borrow money from financial institutions and organizations both local and international e.g. banks

- The local authorities can issue stocks and bonds to raise funds.

Local authorities in many parts of the world are body corporates with powers to borrow. With borrowed money, local authorities can invest in expensive infrastructure or can undertake other capital intensive works and pay the money later

In Germany the federal government determines overall levels of expenditure on public housing while the responsibility of its provision devolves to the states and municipalities. Australian social housing is managed by the individual states, but with two-thirds of the funding coming from the federal government. Social housing in Canada is mainly the responsibility of the provincial governments with municipal housing agencies managing the housing in the larger municipalities; social assistance is also a provincial responsibility, with some contribution from the federal government.

Swedish social housing is provided by municipal housing companies with funding from central government. Social housing in the Republic of Ireland is provided by local authorities, with some additional subsidy from central government. Most social housing in Britain is a still owned and managed by local authorities, with funding from central government. Dutch social housing is managed by housing associations, which regained increasing autonomy from central government.

In East Africa, Kenya, Tanzania and Uganda, the local authorities mainly depend on the Central Government for funds to provide housing. In Tanzania there is the Local Government Loans Board (LGLB) was established under the Local Government Finance Act of 1982. Its functions are to receive, administer and invest funds deposited by the local authorities and to lend the same funds to local authorities to finance development programmes and services; to furnish guarantees; and finally to provide and operate central services on behalf of those authorities. Local authorities in Tanzania have done very little in housing provision. The LGLB also receives funds from the government. In Uganda, the Local Authority Loans Fund is defunct. The local banks are reluctant to give loans to the local authorities due to lack of confidence in them. Only the Kampala City Council has received aid from international donors for the Uganda First Urban Project.

2.3.2.1 Funding for Kenyan Local Authorities

In Kenya, the local authorities do not have the financial capability to finance housing development projects on their own. The Local Authority Transfer Fund (LATF) was established in 1999 through the LATF Act No. 8 of 1998, with the objective of improving service delivery, improving financial management, and reducing the outstanding debt of local authorities. LATF, which comprises 5% of the national income tax collection in any year, currently makes up approximately 24% of local authority revenues. At least 7% of the total fund is shared equally among the country's 175 local authorities; 60% of the fund is disbursed according to the relative population size of the local authorities. The balance is shared out based on the relative urban population densities. LATF monies are combined with local authority revenues to implement local priorities.

The law also allows local authorities to issue stocks and bonds to raise revenue. This has, however, been restricted to City Council of Nairobi which has not issued new stocks recently; the last stocks issued having matured in 1993.

The local authorities also get loans locally and from international donors. Overdraft facilities are provided by national banks, such as Kenya Commercial Bank Ltd and National Bank of Kenya Ltd, which provide banking services to the councils. Other financial institutions operating within the cities also provide the overdraft service. Mombasa's current approved overdraft, for example, is Kshs. 40 million.

The National Housing Corporation has provided house loans, commercial building construction loans, house repair loans, as well as limited finances for development of playing fields, water drainage, among others to the local authorities. N.H.C. loans are repayable in 20 or 40 years and have an interest range of 3 to 13 per cent.

International loan sources have been the World Bank under the Urban Projects for housing development through the N.H.C., and for expanding amenities, including roads, sewerage, among others. USAID has provided funds for tenant purchase scheme development and the Ford Foundation has done the same for construction of a demonstration centre in Mombasa. The World Bank is the largest donor among the international lenders. In the 1990s, it provided funds under the 2nd Urban Project, and currently under the 3rd Urban Project.

There are also internal sources of loan finance within the local authorities themselves, mainly in the form of revenue contribution to capital outlay, which, in the case of Mombasa, include large amounts from service charge revenues.

All loans to the local authorities have to be sanctioned by the Ministry of Local Government, including the size of the overdraft facility. For international loans, Central Government guarantee is normally a pre-requisite. In some cases, loans from international donor agencies are usually made to the central government, which then on-lends them to the local authorities who require the money.

Table 2.3.2.1 Local and foreign long-term loan balances, City Council of Nairobi

Long Term Loans	**1991/1992 (Kshs. '000)**	**1992/1993 (Kshs. '000)**	**1993/1994 (Kshs. '000)**	**1994/1995 (Kshs. '000)**	**1995/1996 (Kshs. '000)**
Stocks	290,000	250,000	-	-	-
Local Loans	283,500	40,686	813,720	749,480	716,120
Foreign Loans	4,437,700	10,423980	10,474,560	11,468,860	10,833,400

Source: City Council of Nairobi, Abstract of Accounts (Consolidated Balance Sheet)

Table 2.3.2.2 Debt to Asset Ratio, City Council of Nairobi

Period	84/85	85/86	86/87	87/88	88/89	89/90	90/91	91/92	92/93	93/94	94/95	95/96
Rate (%)	57.7	56.5	51.1	51.0	50.0	70	82	82	85	70	71	61

Source: City Council of Nairobi Abstracts of Accounts

As illustrated in Table 2.3.2.2, until 1988/89, Nairobi's debt-to-total asset ratio averaged 50 per cent, but this gradually rose to 85 per cent in 1992/93 and slowly fell to 61 per cent in 1995/96. The debt position of the Council has been made worse by its inability to service the loans due. Consequently, it has continued to rely on short-term commercial loans as a temporary solution to its cash flow problems. The major Council creditors are:

- The Central Government, which has been making debt service payments on the Council's foreign loans since June 1990;

- National Housing Corporation;

- Interest and redemption proceeds due to NSSF on matured City Council of Nairobi stocks;

- Statutory deductions (from staff) not paid to the relevant authorities, including social security, superannuation and provident funds, pay-as-you-earn and national hospital insurance funds;

- Arrears of pay as a result of a large pay award backdated to 1st October 1993 due to staff; and

City Council of Nairobi's poor financial status has resulted in its inability to service the loans since 1990. The Government for the time being is assisting the Council in repayment of foreign loans and the Council is expected to repay the central Government when its financial position improves.

In Mombasa, the loan debt as of 31st December 1980 stood at Kshs. 35.6 million, with about Kshs. 26.6 million being owed to external sources. Loans outstanding had risen to Kshs. 298 million by 30th June 1990. As of 30th June 1997, the council owed Kshs. 675 million to various creditors, out of which Kshs. 391.2 million is mainly long-term loans lent by the Local Government Loans Authority and N.H.C. Ltd.

Thus, debt servicing has become a problem for Mombasa. Like Nairobi, it has had to withhold money collected as statutory deduction to NSSF, Superannuation Fund, PAYE, Co-operatives, among others, to meet its recurrent budget. It also has had to pay only interest on loans, while also delaying payments on general supplies. The last time the Council was able to repay part of its LGLA loans was in 1991. In general, the level of borrowing of Mombasa Municipal Council has increased tremendously over the last 17 years. It has grown by more than tenfold and it is, therefore, not surprising that the Council is having repayment difficulties. The current high level of overdrafts, failure to deliver statutory deductions on time, threats by institutions such as N.H.C. to take-over municipal property are all pointers to difficulties facing the Municipality. It is also increasingly becoming difficult to raise loan funds.

2.3.3 Management of Local Authority Houses

Property management was defined by Macey and Baker (1973) as the application of skills in caring of a property, its surrounding and amenities, and in developing a sound relationship between the landlord and tenant and between tenants themselves, in order that the estate and the individual houses may give the fullest value to both the landlord and tenant. Successful property management is a demanding activity requiring understanding, ability and technical and organisational skills and resources. It is based on the principles put forth by Henry Fayol in the classical school of management and includes:

i) Planning

This is the determination of a course of action to achieve desired results through setting objectives and timetables. Planning involves forecasting and coming up and establishing ways of achieving the set goals. In estate management forecasting is done to predict the demand for housing and come up with ways and means of meeting this demand.

ii) Organizing

This is the establishment of a framework within which people work through creating a structure of tasks. People are then assigned to carryout this tasks and how they relate to each other through the organizational chart. Estate management involves many tasks such as maintenance, administration and execution of lease agreements, rent collection among others that involves different professionals. It is therefore necessary to group these different tasks in a workable framework of organisation.

iii) Co-ordinating

This is a function of management that integrates efforts. This is achieved through harmonising activities where the manager has to balance, time and integrate the work in order to accomplish the set goals. The tasks involved in estate management have to be integrated to ensure harmony in carrying them out.

iv) Motivating

This is concerned with creating high morale among employees by giving them a sense of purpose. This ensures they carry out the work assigned to them in an enthusiastic manner which results in high productivity within the organization. The estate manager should motivate the people working under him through rewarding good work enabling them to feel their part of the firm.

v) Controlling

This is concerned with the measurement and correction of performance to ensure objectives are met. It also involves taking corrective action where there are any deviations. In estate management, budgets are set and it is the duty of the manager to ensure expenses are within the budget and any variations are accounted for.

Scarlet (1995) highlighted approaches to property management and they include:

a) In-house management

In this model of property management, an organisation establishes a department whose sole function is property management.

b) Contract Management

This is an arrangement where the property holder or organization engages an independent property manager or property management firm to oversee all the management functions of their property.

c) A combination of (a) and (b)

This is where the in-house management and agent have a respect for each others abilities and expertise and work together on a range of management tasks in an almost seamless way to the benefit of the portfolio. It might end up being more costly than any of the two used separately.

d) A Hierarchical Division

This is where the in-house manager directs the strategic thrust, limiting the agent to carry out a limited management role. The appointed agent will thus be left to carryout the basic and repetitive tasks of management according to the terms of contract that define the extent of the agent's responsibilities.

Estate management functions are many but the main ones include letting and sale of property and all the management functions that involved in each of the two.

2.3.3.1 Letting

Letting is a process through which an applicant becomes a tenant and enters into the relationship with the proprietor through this process. The way that letting is carried out has a direct bearing on the expected return of the property as well as its management. It involves the following aspects:

- Advertisement
- Selection of tenants
- Issuing of letters of offer
- Administration of lease agreements
- Pre-occupancy education
- Hand over
- Rent and service charge collection

a) Advertising

Before advertising, the property managers must know what he is letting in terms of location, lease period rent per month and the letting policy. They may then use televisions, newspapers, brochures, direct mailing and/ or site signs to advertise the property.

b) Selection of tenants

Property should be occupied by people with the ability to pay and use the property well. It also ensures that spaces are allocated to the most suitable applicants so that applicants get accommodation most suitable for them and make best use of the available space. Type of selection schemes include:

- Date-order Scheme: - Houses are allocated strictly according to the date in the order in which the applications were received without any reference being made to or account taken of the degree of housing or social need.

- Point Scheme: - Points are allocated to each factor constituting housing needs according to their importance. These points are added up for each applicant. The applicant with more points is given priority. The factors determining need vary local social codes and attitudes towards human behaviour and may include: ill health, size of family, place of work, length of period on the waiting list, etc.

- Merit Scheme: - Treats each applicant on his own merit. It involves subjective judgement for merits.

- Combined Scheme: - This is a combination of both the merit scheme and the point scheme. Merit schemes are used in priority cases e.g. ill health and the point scheme is used for ordinary applicants.

- No one system is appropriate but whatever system used, it should be easily understood, simple and comprehensive and subject top regular review.

c) Issuing of letters of offer

It is important for a tenant to sign a letter of offer before taking possession of the property and is issued to successful applicants. The applicant should then return the signed letter with some form of payment as consideration, usually the deposit for the property.

d) Administration of lease agreement

A lease is a legal document in which the owner of the property transfers the right to use and occupy to another for a specified period in exchange for a sum of money, the rent. It specifies the terms and conditions of occupation, the rent payable, rent review clauses, the due date of rent i.e. whether in advance or arrears, etc.

e) Pre- occupancy education and Hand-over

Pre-occupancy education should be well incorporated. Tenants need to know what their rights and responsibilities are.

f) Hand-over

The tenant should sign hand-over/take-over notes. These indicate the actual condition of the property at time of taking possession. This is because a tenant is meant to leave the property in the same state and condition.

g) Rent and Service Charge Collection

Macey and Baker (1973) define rent as the sum of money due from the tenant to the landlord for the occupation of land or premises owned by the latter. It is payable in accordance with the terms of the lease. Rent is one function of estate management that is given due regard whether one is dealing with private or publicly owned landed property. This is commendable because this function is indispensable as it will either ensure the availability of funds for other management expenses or lack of such funds. Rent may be paid in advance or in arrears.

Service charge is money paid for the expenses of running a building. A service charge may include expenditure on repair, maintenance, cleaning and refuse collection, lighting, heating and air conditioning, staff costs, property management expenses and charges incurred in the upkeep of common areas of a property (Abbott, 1987). Stapleton (1986) observes that the landlord can only include costs in the service charge if they are reasonably incurred and if the services provided or works carried out are of reasonable standards. This is in accordance to the principle of benefits received. If the charge is payable before the costs are incurred, necessary adjustments will have to be made. Service charge may be collected together with rent or may be collected separately. Where it is collected together is collected together it is called inclusive rent.

Rent Collection Methods

i) Office collection

This method involves establishment of a central office where tenants in all estates tender their rent. An office can also be established within the estate where tenants then pay their rent. Has the disadvantage of the office distance from the tenants and will require arrangements to be made for inspection of the property.

ii) Door-to-door collection method

In this method the housing manager or agent collects the rent from the tenants' house. It is a time consuming and tedious method. However, it gives the agent time to get to know and be known by the tenants. While at it, the agent can also inspect defects, note lack of repair, check completed repair work, receive complaints and deal with all management matters as they arise.

iii) Combination of (i) and (ii)

This method improves rent collection as it rent from tenants who are unwilling or unable to come to the office for payment is collected.

iv) Check off system

This method is used in situations where employees are housed by their employer. The rents are deducted directly from the employee's salary by the employer.

v) Collection by post, credit transfer or bankers order

This system suitable where geographical distance renders office collection and door-to-door method difficult or costly. It is economical but considerations have to be made regarding the quality of tenants and type of property. It is not used by local authorities in many countries because they provide housing in their jurisdiction thus no geographical distance barrier.

2.3.3.2 Sale of Property

This is where there is transfer of ownership of the property rights and interests that accrue to it.

Methods of Sale

i) Private treaty

An estate agent agrees with the owner of the property on the market value of the property. The agent may then use televisions, newspapers, brochures, direct mailing and/ or site signs to advertise the property. The agent then receives offers from prospective buyers and selects the best offer. On agreeing with the owner, the agent drafts a letter of offer to the successful prospective buyer. He then arranges for the drawing up and execution of the sale agreement.

ii) Auctions

Used for properties deemed to have great demand. The property is advertised and prospective buyers are invited to an auction. Bids are then received and the buyer with the highest bid gets to buy the property.

iii)Tendering

This method is similar to the auction method. The property is advertised inviting offers from the public. A date is then set for opening of the tenders and the person who had bid the highest becomes the successful buyer.

2.4 Legislative Frameworks

There are several laws in Kenya that play a role in provision of housing and the general standards and services that come with it. The main statutes that are relevant in this study are:

a) Local Government Act Cap 265 Laws of Kenya

Section 177(1) and (3) of the LGA empowers the local authorities to:

(a) Lay out building plots or otherwise subdivide any land acquired or appropriated by it, whether within or without its area, for the purpose of housing schemes for the inhabitants of its area;

(b) Erect and maintain dwelling-houses with their appurtenant outbuildings on such plots or subdivisions of land;

(c) Convert buildings into dwelling-houses and alter, enlarge, repair and improve the same;

(d) Let any dwelling-house erected or provided by it and charge such reasonable rent for the tenancy or occupation thereof as it may determine;

(e) Sell any such dwelling-house to a person undertaking to reside therein and recover the purchase price thereof by such instalments as it may determine;

(f) Sell, let or otherwise dispose of any plot or subdivision of land referred to in paragraph (a) of this subsection to any person for the purpose and under the condition that that person will erect and maintain thereon a dwelling-house for occupation by him:

(g) Sell, let or otherwise dispose of land acquired or appropriated by such local authority, to any person for the purpose and under the condition that that person will erect and maintain thereon such number of houses as may be determined by such local authority in accordance with plans approved by it.

(3) Subject to such conditions as may be prescribed by the Minister, a local authority may advance money to any person—

(a) To enable him to repair, reconstruct, enlarge or improve a dwelling-house occupied or intended to be occupied by him; or

(b) To enable him to reconstruct, whether on land provided by such local authority or otherwise, a dwelling house for occupation by him; or

(c) To enable him to acquire for occupation by him any dwelling house.

b) The Housing Act Cap 117 of the Laws of Kenya

Section 3(1) of the Housing Act establishes a National Housing Corporation which shall be a body corporate by that name with perpetual succession and a common seal, and which shall perform the duties and have the powers conferred on it by the Act.

Section 7(1) of the Housing Act establishes a Housing Fund and (3) indicates the sources of money for the fund as being : -

- Money voted by parliament for payment into the housing fund
- Principal and interest repayment by local authorities, companies, societies or individuals on loan appropriated to them
- Sums borrowed by the National Housing Corporation in lure of exercising its powers
- Sums due from the corporations investments

Section 8(1) of the Housing Act empowers the N.H.C. to loan or grant money to local authorities to construct dwelling houses and carry out approved schemes and Sec 8(2) empowers the Corporation to prescribe the interest rate the loan given will bear.

Section 12 of the Housing Act empowers the N.H.C. to take over the management of the property developed by the local authority using funds borrowed from the Corporation and assume collection of any monies payable to the local authority by the beneficiary or any other person as provided in section 8(2) until the outstanding debt is recovered substantially or in full. Upon take-over the corporation will have the same rights and obligations as the local authority as pertains to the property.

2.5 National Housing Corporation - City Council of Nairobi Case Study

2.5.1 National Housing Corporation

National Housing Corporation is the public sector's main developer and financier of housing. It is a parastatal under the Ministry of Housing, acting as an executive arm of the housing policy as stipulated by the Ministry. The formation of N.H.C. replaced the Central Housing Board of 1953 which was created be the Colonial Government of

Kenya and it was the agency through which the colonial government could channel funds in the form of loans to local authorities to promote the development of houses for locals in their areas of jurisdiction so as to deal with the rural- urban migration that was experienced then. In 1965, the board decided to undertake direct construction of dwelling in areas where Local Authorities were unable or unwilling to do so.

N.H.C. was formed after recommendations of the United Nations mission to Kenya on housing. The Central Housing Board was transformed to the National Housing Corporation on 4th July 1967. It was established by the independent Kenya government by enacting the Housing Act which replaced the Housing Ordinance of 1953. The sessional paper no. 5 of 1966/67 enabled the government to recognize housing as a vital factor in the Nations social and economic development and its effect bearing on the morale and stability of the nation. The corporation became the main medium for developing low cost housing through government and donor funds. The main reason for the change was that the new body should be a separate corporation, more independent of the Ministry of Housing which would be able to give support to local authorities as well as undertake projects of its own.

The main functions of the corporation were then those of being the Central government's principal agency for implementing housing policy and being the main channel through which public finances are channeled to local authorities. Due to the nature of its role as the principal housing policy implementer, the National Housing Corporation falls under the *auspices* of the Housing department and therefore a parastatal to whichever Ministry the department is attached to.

Some of the Corporation's functions as per the Housing Act Cap. 117 of the Laws of Kenya are:

1. Giving grants or loans to local authorities from the housing fund to enable them exercise powers bestowed on them by this Act.
2. Giving loans to companies, societies or individuals to enable them acquire land and construct dwellings or carry out approved housing schemes.
3. Giving loans to organizations established for promoting housing development.

4. Construct dwellings. Undertake schemes, layouts and provide services for approved housing schemes.
5. Participate in housing exhibitions and other forms of estates publicity.
6. To undertake and encourage provision of training for furtherance of purposes of the act to its members and staff.
7. Establish, promote or aid in establishing or promoting, constitute, form or organize company syndicates or partnerships alone or in conjunction with institutions for carrying out functions of the corporation.
8. Inquire into and report to the minister of the Ministry of Lands and Housing or Local Authorities on the necessity or otherwise of the provision of dwellings in the local authorities area of jurisdiction or outside the area with the ministers consent.
9. Advice, assist in the provision of proposals for dwellings and approved schemes.
10. The corporation is empowered to borrow funds for its purposes with Minister's consent.
11. Power of entry and inspection of premises by its members at reasonable times into a building upon which a loan or grant has been made.

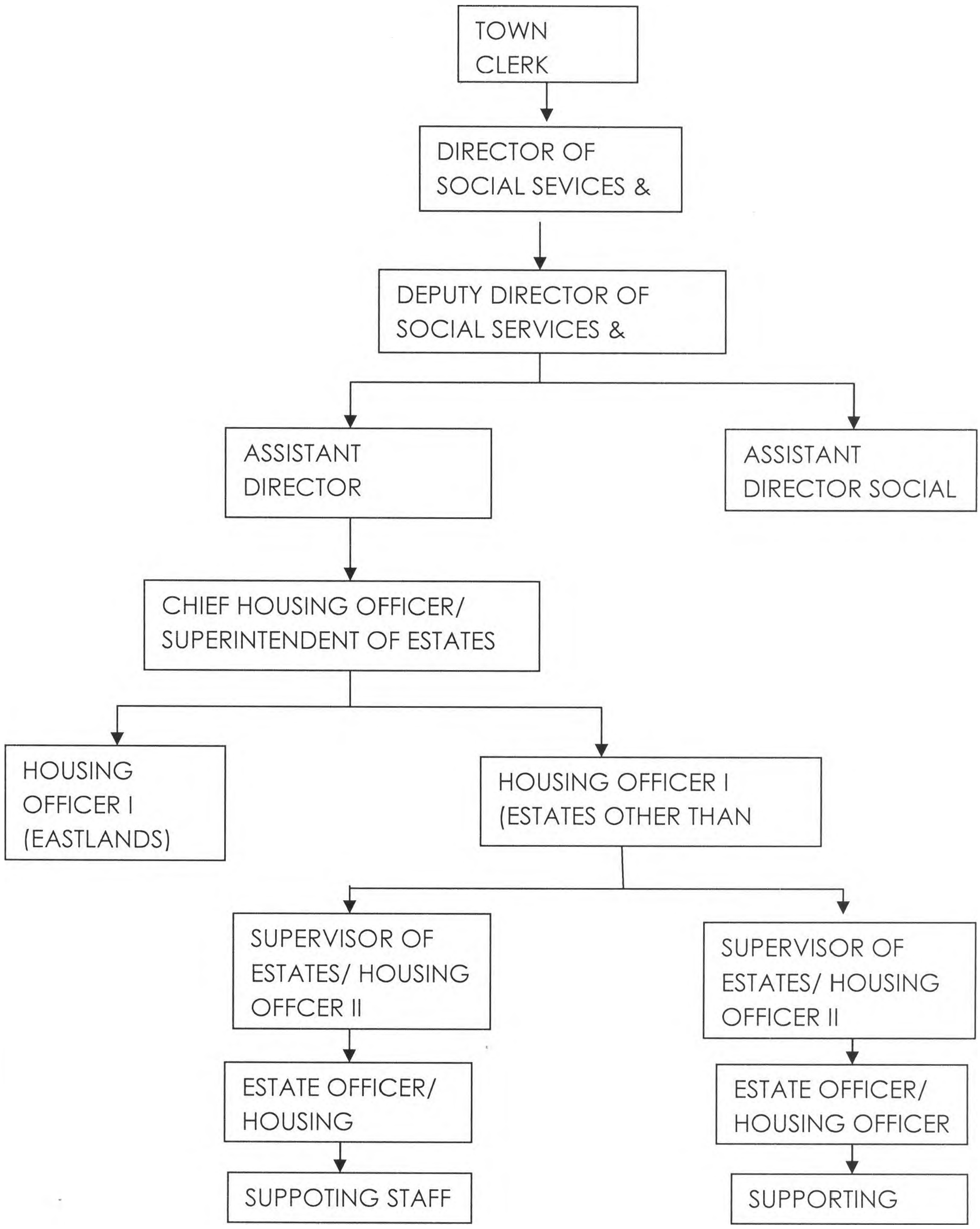
2.5.2 City Council of Nairobi

Nairobi was made a Municipality in 1935 by a Charter given by the Queen of Britain before the independence of Kenya in 1963. City Council of Nairobi was incorporated by Royal Charter dated 20th March 1950. Its function is to deliver services to the residents of Nairobi and maintain the city status of Nairobi. C.C.N. derives its legal mandate from the Local Government Act (Cap 265) of the Laws of Kenya amongst other Acts of Parliament that augment its diverse core functions and priorities. These priorities are contained in various policy and planning documents such as the National Development Plans, Poverty Reduction Strategy Paper, Economic Recovery Strategy (ERS) for Wealth and Employment Creation in the medium term, Kenya's Vision 2030, and the Millennium Development Goals (MDG's) in the long term.

Its mandate is to provide and manage basic social and physical infrastructure services to the residents of Nairobi. These services include basic education, housing, health, water and sewerage, refuse and garbage collection, planning and development control, urban public transport and fire services among others.

The management functions of the C.C.N. are carried out through a combination of two aspects. The political aspect comprises of elected and nominated councillors headed by the Mayor. On the other hand there is the professional aspect comprising employees of the Council headed by the Town Clerk. The functions of each are inter-related with decisions of the professionals requiring the approval of the politicians. The Minister of Local Government is appointed by the President from among elected and nominated Members of Parliament has the final authority on the activities of the Council. Below is the organisational structure of the professional arm of the Council.

The C.C.N. Housing Department Structure



Source: Own Survey, May 2008

2.5.2.1 Management of the Rental Estates by C.C.N.

The City Council of Nairobi practices an in-house kind of management for its estates. The management of the estates falls under the Department of Social Services and Housing that is headed by a director.

This not withstanding, some of the management functions also include other departments in the council. For example, the treasury department headed by the City Treasurer is in charge of all the council's funds, the engineering department is in charge of all repair and maintenance works of the houses and roads and the water and sewerage department is in charge of water supply and sewage disposal. All this departments fall under the Town Clerk. It is the duty of the Chief housing officer to co-ordinate the execution of the various works across these various departments.

The department of Social Services and Housing has about 1,600 employees and is comprised of seven sections namely; Administration, Housing, Welfare Services, markets and Trading Services, Sports, Community Development and the Other Activities Section. The Administration Section is concerned with co-ordinating the work of the department with that of other departments, a conduit between the various sections heads other bodies and the general public. The housing section concentrates on rental houses, which are about 18,238 units, and emphasises on maintenance, provision of essential services to tenants, the enforcement of the tenancy agreements and collection of rent. Up until 1990, the housing section in the department of social services and Housing also handled the Tenant Purchase Schemes.

The City Council of Nairobi advertises the availability of houses for rental purposes in the media. This was while the houses were still under construction inviting for applicants. Recently the council has not put up any rental houses. Vacancies in the already existing rental houses are never advertised this may be attributed to the fact that it has a very long waiting list and the vacancies rarely come up.

In tenant selection, the council uses the date order system to allocate the houses to the applicants. This means that allocation is strictly according to the date in which the applications were received without any reference being made to or account being taken of the degree of housing/social need, special conditions such as ill health, disabled, etc or the income bracket of the applicant. The applicants are allocated on a first come first serve basis and the only consideration taken into account is whether they are occupants of another council house. This ensures that no person is allocated more than one council house.

The successful applicants are issued with a letter of offer and are expected to sign a lease agreement before they enter the house. The tenants are then issued with a tenant card that shows the name of the tenant, the date of allocation, the house the tenant has been allocated and terms under which the house has been allocated. This is shown on Appendix IV.

The council offers monthly periodic tenancies. This means that the premises were let out without a definite expiry day, the expiry of the tenancy occurs when either the landlord or tenant gives a notice. The handing over of the house occurred after the tenant paid the rent for the month. No deposits were required.

The council does not offer any pre-occupancy education to its tenants which is necessary in order to educate the tenants on what their rights and responsibilities are. The tenants on being allocated the houses did not sign any hand over or take over note that indicates the condition of the house that they were allocated.

The rent payable to C.C.N. is paid monthly in advance for all the council estates. The rent paid is inclusive. This means that it includes service charge which is the levy made by the landlord for items whose responsibility to provide is the landlord, but the cost of which is to be met by the tenants. The Council carries out rent reviews every 2 -3 years. The Housing Officers deliberate and decide on a fair increment and forward the proposal to the Finance Committee for approval. After approval by the committee it is forwarded to the Minister for Local Governments for assent.

2.5.2.2 Management of the Tenant Purchase and the Site and Service Schemes by C.C.N.

The Housing Development Department manages the site and service schemes projects. In 1990, its duties were increased and the portfolio of managing the tenant purchase housing schemes added to its docket. It caters mainly for the low-income earners and the urban poor. To date it manages about 23,878 housing units. This is the only department in C.C.N. not located at City Hall. It is located in Dandora where most of these housing units are located. This is to give easy access to its target group who are low-income earners.

The selection of applicants of the houses is usually done before hand. This is because the schemes are redevelopments aimed at providing better living conditions for residents of the areas where they are put up. However, there are allegations of underhand allocation of the Schemes. The properties end up being owned by absentee landlords with the rightful occupants becoming tenants.

The Schemes are sold at subsidized prices with long repayment periods of between 15-20 years and low interest rates of between 6-8%. This is aimed at ensuring they are affordable to the target group.

The payment is made to the C.C.N. monthly in advance. The Council uses office collection method to collect the rent/monthly instalments for the Schemes. This is done at the Dandora office. The records of payment from the Dandora office are then forwarded to the head office at City Hall for reconciliation.

2.5.3 The Case of C.C.N. Housing Estates Take-over by C.C.N.

As noted earlier, the N.H.C. is the statutory body through which the Government channels its fund to the local authorities for housing development. Some international donors also give loans to the local authorities via the N.H.C. e.g. the World Bank for the Urban Projects. The N.H.C. is obligated by the founding Act, The Housing Act Cap 117 of the laws of Kenya to give loans to the local authorities.

The then Local Government Minister Musikari Kombo acknowledged in a press conference on 9th February 2006 that the local authorities in the country owed the National Housing Corporation more than 3 billion shillings. Kombo reviewed that City Council of Nairobi had the largest debt of more than one billion shillings. Kombo however said the Ministry was making efforts to settle the debts. The National Housing Corporation took over the management of local authority houses all over Kenya: in Athi

River, Busia, Eldoret, Kakamega, Kisumu, Kitale, Meru, Mombasa, Naivasha, Nakuru, Nyeri, Olkalau, Thika, Vihiga and Nairobi. The take over date for the local authority estates began as early as 1992 in areas like Busia and the last was in 2004 in Nairobi and Mombasa. The details of the take over of the housing units in all these areas are found in Appendix II.

The C.C.N. had the largest debt owed to N.H.C. of Kenya shillings 1.3 billion. Take-over of the Council's estates began in 1998 with the last taking place in 2004. The details of the projects undertaken by the C.C.N. using funds from the N.H.C. are found in Appendix III.

2.6 Knowledge Gap

The literature reviewed on the role of local authorities in the provision of housing in Kenya reveals a gap in understanding why the City Council of Nairobi was not able to meet its financial obligations to the National Housing Corporation. Such an understanding is the basis for appreciating how local authorities can be effective instruments in development. The gap implies the need to collect information on the role of three key factors in effective management: the human resource factor, the debt collection factor, and the financial management practices.

3 CHAPTER THREE

3.0 RESEARCH METHODOLOGY

3.1 Introduction

The research study sought to find out why estates owned by C.C.N. were taken over by the financier, the N.H.C. In particular, the study identified three key factors to account for the take-over: human resource, rent/debt collection, and financial management. This section describes the methods used to conduct the study. It describes the research design, area of study, the population, sample and sampling techniques, instruments of data collection, procedures of data collection and analysis.

3.2 Research design

The study has adopted the in-depth case study approach to investigate the contribution of three factors in the take-over of C.C.N. housing estates by the N.H.C. In this approach, the researcher takes an in-depth examination of the role of the prior identified factors in the take-over, the factors identified from review of literature. Case studies are premised on the assumption that a case can be located that is typical of many others. The method is an intensive investigation of the particular unit under investigation (Mugenda and Mugenda, 1999). A particular case is identified for the investigation, in this case the City Council of Nairobi.

3.3 Area of Study

Nairobi is the capital and largest city of Kenya. It was founded in 1899, and was handed capital status from Mombasa in 1905. In 1919, Nairobi was declared to be a municipality. Nairobi is also the capital of the Nairobi Province and of the Nairobi District. The city lies on the Nairobi River, in the south of the nation, and has an elevation of 1661 m above sea-level.

Nairobi is the most populous city in East Africa, with an estimated urban population of between 3 and 4 million. According to the 1999 Census, in the administrative area of Nairobi, 2,143,254 inhabitants lived within it. It has a growth rate of 6.9% and by 2005 it had a population of 2,750,561 and is expected to have a population of over five million by the year 2015. It has an area of 684 square kilometres. Nairobi is currently the 4th largest city in Africa.

Nairobi is divided into a series of districts. The constituencies of Nairobi are Makadara, Kamukunji, Starehe, Langata, Dagoretti, Westlands, Kasarani and Embakasi. The main administrative divisions of Nairobi are Central, Dagoretti, Embakasi, Kasarani, Kibera, Makadara, Pumwani and Westlands.

Nairobi is home to the Nairobi Stock Exchange one of Africa's largest. The exchange is Africa's 4th largest (in terms of trading volumes) and 5th (in terms of Market Capitalization as a percentage of GDP).Nairobi is the regional headquarters of several international companies and organizations. This makes it one of the most influential cities in Africa. In 2007 alone, General Electric, Young & Rubicam, Google, Coca Cola and Celtel relocated their African headquarters to the city. The United Nations has strong presence in Nairobi; the United Nations Office at Nairobi hosts UNEP and UN-Habitat headquarters. Several of Africa's largest companies are headquartered in Nairobi. KenGen, which is the largest African stock outside South Africa, is based in the city. Kenya Airways, Africa's fourth largest airline, uses Nairobi's Jomo Kenyatta International Airport as a hub. Nairobi has a large tourist industry, being both a tourist destination and a transport hub. Nairobi is now one of the most prominent cities in Africa politically and financially. It is home to many companies and organizations. Nairobi is established as a hub for business and culture. The Globalization and World Cities Study Group and Network define Nairobi as a prominent social centre.

Nairobi was ranked at 58th in the Capital of the World rank. The list ranks of cities in order of their prominence as a global capital as an economic and cultural powerhouse.

3.4 Population

The study targeted all local authority estates in Kenya that had a financing agreement with N.H.C. These are located in Nairobi, Mombasa, Kisumu, Nakuru, Athi River, Busia, Eldoret, Kakamega, Kitale, Meru, Naivasha, Nyeri, Olkalau, Thika and Vihiga. These estates include tenant purchase schemes, site and service schemes and rentals.

3.5 Sample and Sampling Procedure

Non random sampling was used to purposively choose the City Council of Nairobi from all the other local authorities in Kenya. This was due to the convenience of proximity and costs on the researcher. It also owes the highest amount of money to the National Housing Corporation.

The City Council of Nairobi entered into a financing agreement with N.H.C. for the development of 106 projects. These are four tenant purchase schemes in, Harambee, Kariobangi, Komarock and Umoja. There are 61 site and service schemes located in Embakasi, Kariobangi, Ofafa, Pumwani, Kariobangi, Uhuru, Mathare, Huruma and Dandora, Finally there are 41 rental housing estates in kaloleni, Ziwani, Ngong, Embakasi, Ofafa Jericho, Kariokor, Uhuru, Ngong, Mathare, Buru Buru, Harambee, Huruma, Madaraka, Jamhuri, and Kahawa West.

The sampling list of these housing projects is found in Appendix III.

The City Council of Nairobi defaulted payments on 54 of these housing estates: 1 tenant purchase scheme, 24 site and service schemes, and 29 rental housing estates. The National Housing Corporation took over the management of six renal housing estates. This study took all these six housing units as the units of study hence forming a saturated sample.

3.6 Methods of Data Collection/ Instruments of Data Collection

Questionnaires were designed to collect data. They sought to collect information related to the three factors relevant to the take-over: human resource factor, rent/ debt collection factor, and financial management practices. These instruments were administered to senior officers at the C.C.N. and N.H.C., the Chief Estate Officer at C.C.N., and the Senior Estate Officer at the N.H.C.

Structured interview schedules were designed to conduct in-depth interviews with other senior members of the organizations, the Chief Estate Officer at C.C.N., and the Chief Accountant and Corporation Secretary at N.H.C. These were used to clarify details that were central to understanding the factors identified for investigation.

3.7 Procedure for Data Collection and Analysis

The researcher administered the questionnaires by visiting the C.C.N. and the N.H.C. to avail the questionnaire. The respondents requested for time in order to complete the questionnaire so the researcher gave them a uniform time of two weeks. The respondents explained that they had busy schedules and the details in the questionnaires required going into their records and database. Upon analysis of the information supplied in the questionnaires, it became necessary to clarify specific details related to the factors under investigation. A structured interview schedule was developed and a follow-up study conducted. In the course of conducting the interview, the respondents provided some insights on the challenges that C.C.N. was faced with that led to the take-over. The respondent from N.H.C. was also able to provide insight on the current status of the debt with the Council.

3.8 Method of Data Analysis

The researcher first established that the questionnaires had been satisfactorily completed. Most of the questionnaire items were already pre-coded. The study aimed at describing the data, and this level of measurement necessitated the use of descriptive statistics. Contingency tables which are easily understood and interpreted have been used. These contain percentages and proportions which have been used to compare and aggregate and compare the frequency of variables.

3.9 Challenges Encountered in the Field

The administered questionnaires were not received in time and follow up interviews with officials of the organizations involved following long procedures that resulted in delays in data analysis.Acquiring the data was problematic since it goes back a long time. The C.C.N. had handed over the files of the estates taken over to the N.H.C. At N.H.C., a lot of data got destroyed when their depot in Kibera where most of the files had been stored was burnt down in the post election violence that rocked Kenya.

Finally there was the time and financial constraints that interfered with carrying an in depth research.

4 CHAPTER FOUR

4.0 DATA PRESENTATION AND ANALYSIS

4.1 INTRODUCTION

This chapter provides findings from data collection process, analyses them against the research questions and hypotheses, and then draws conclusions. This chapter is sub-divided according to the research questions with an overview of the financial obligation of the C.C.N. to the N.H.C. The first section provides precise financial information on the funding arrangement between the N.H.C. and the C.C.N. The second section presents data on the human resource dimension to the take-over, the third one presents data on the debt collection factor, the fourth part presents data on the financial management practices, the fifth on the state of maintenance of the housing estates, and the final part presents the current debt standing between the N.H.C and the C.C.N. These presentations are interspersed with interpretations of the data drawn from the literature reviewed and own findings from informal interactions with persons familiar with the take-over circumstances.

4.2 FINANCIAL OBLIGATION OUTLINE TO THE N.H.C.

To date, the N.H.C. has funded the C.C.N. in the building of 106 housing estates. Of these, the C.C.N. defaulted in the payment of funds for 54 housing estates, but is still repaying the loan for the other 52 housing estates. The breakdown of financing of the 54 estates under the provided below:

Table 4.1(a): Breakdown of the 54 Housing Projects

Type of housing project	**Number of projects**	**Loan Awarded for projects**	**Interest**	**Due Date of First Instalment**	**Annuity (Kshs.)**	**Duration of loan**
Rentals	29	64,484,021.78	3% - 6.75% Per annum	1967 to 1985	2,169,348.33	10-40 years
Site and Service	24	77,157,650.15			3,662,295.20	
Tenant Purchase	1	1,900,000.00			85,553.10	
TOTAL	**54**	**143,541,671.93**			**5,917,196.63**	

Source: N.H.C. Abstract of Accounts

Table: 4.1(b) Breakdown of the 54 Housing Projects

Type of housing project	**Number of projects**	**Date of Default**	**No. Of Units Taken Over**	**Date of take-over**
Rentals	29	1985 - 1992	6	1998 & 2004
Site and Service	24		None	-
Tenant Purchase	1			
TOTAL	**54**			

Source: Field Survey

From this analysis in Tables 4.1(a) and (b) it can be observed that:

a) The loans were awarded at different times, had different interest rates of between 3% - 6.75% and were for durations that varied from as few as 10 years to 40 years. The researcher established that default in the payments of annuity first began in 1985 but the council resumed payments afterwards but totally stopped in 1992.

b) At the time of default in 1992, only about 75 % of the loan plus interest had been paid to the N.H.C after 25 years since the due date of the first loan which was in 1967 and only 7 years after the due date of the first instalment of the last loan awarded among these 54 housing projects.

c) The take-over targeted recovery of 25% of the remaining debt which amounted to Kenya shillings 1.3 billion including interest accrued on the premium and annual payments not made.

d) The N.H.C. in 1998 took possession of two estates comprising of blocks of flats, the Kariokor Estate located in Starehe Constituency with 240 two bedroomed units and the Madaraka Estate located in Nairobi West, Langata Constituency, with 600 units 348 three bed roomed units and 252 two bed roomed units.

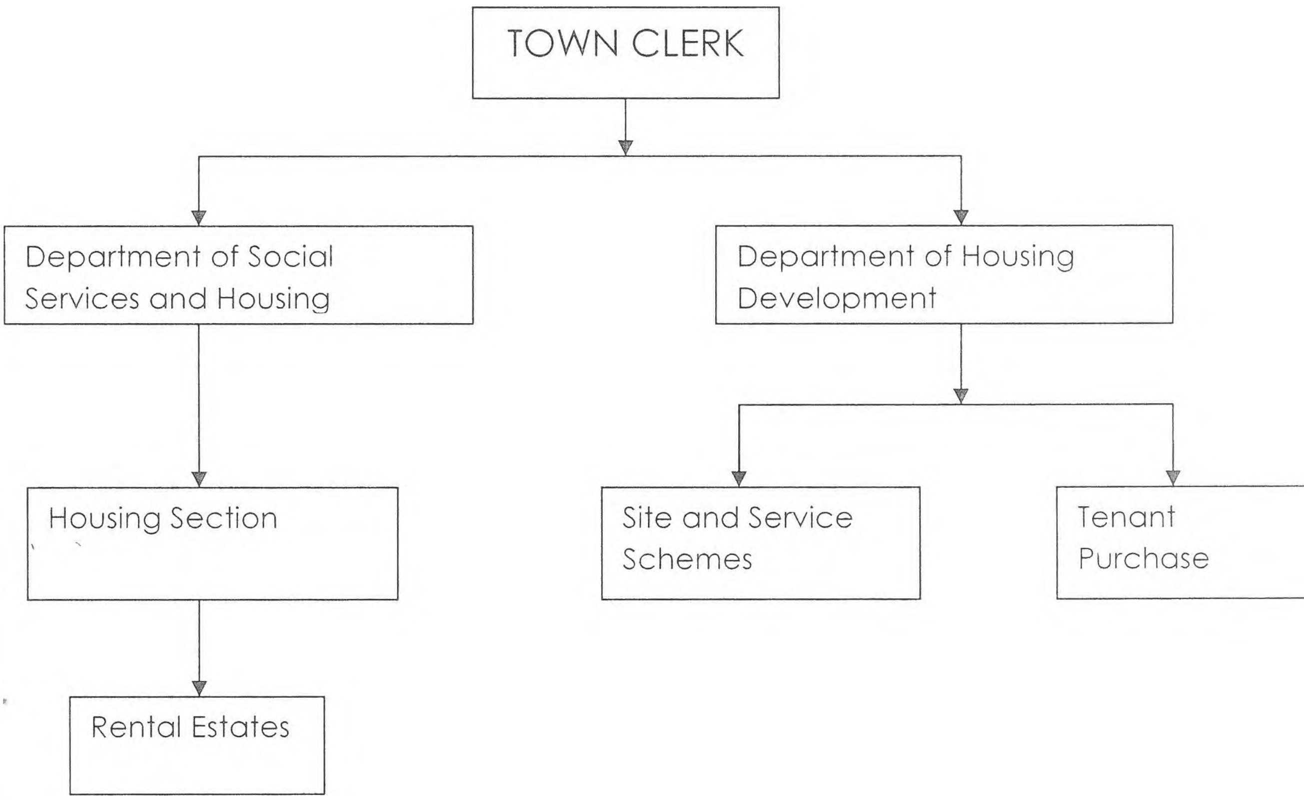
   In 2004, it took possession of the other four: Huruma Estate in Kasarani Constituency comprising of blocks of flats with 336 two bed roomed units and 249 three bedroom maisonettes; Kariobangi South Estate in Embakasi Constituency comprising of blocks of flats with 400 two bedroom units and 319 three bedroom maisonettes; Buru buru Estate in Embakasi comprising of blocks of flats with 180 three bedroom units and 112 four bedroom maisonettes; and finally Jamhuri Estate in Langata Constituency comprising of blocks of flats with 72 two bedroom units.

e) The take over of the 6 units which yield a total annual gross rent of Kenya shillings 124,771,200.00 implies that the total outstanding debt will be fully recovered by the N.H.C. in approximately 25 years. This is assuming that all the gross rent goes to the repayment of the loan at a 6% interest rate per annum. The other alternative available to N.H.C. was to sell the C.C.N. rental estate to recover its debt in full.

f) The N.H.C. did not take-over any site and service schemes and tenant purchase schemes cause it felt it would be unfair to the occupants who had paid to the Council fully. According to the N.H.C. Senior Estate Officer, the loan to C.C.N. to build these projects would be recovered from rent received from the six C.C.N. housing estates that N.H.C. was managing.

4.3 Human Resource Dimensions in the Take-over

The C.C.N. managed its the housing estates within two of its departments: the department of Social Services and Housing and the Department of Housing Development each dealing with the types of housing projects identified earlier. The housing section in the Department of Social Services and housing deals with rental houses, while on the other hand the Department of Housing development deals with site and service schemes and the tenant purchase schemes.



Source: Own Survey, May 2008

The housing section essentially deals with letting, maintenance, provision of essential services to the tenants as well as collection of rents from the rental estates. The Housing Development Department essentially deals with developing housing estates for direct purchase by prospective tenants, providing basic services, sale of the undeveloped serviced sites and developed houses, and the collection of the monthly repayments from the tenant purchase schemes and site and service schemes.

These functions and activities employ personnel who plan for and carry out these activities a part of their job descriptions. It is therefore necessary to see where gaps arose in the planning and implementation of activities in each sub-section of both the Department of Social Services and Housing and Housing Development Department, leading to loss of revenues, lapses in repayments and therefore the take-over.

4.3.1 Rental Houses, Human Resource issues and the Take-over

The Housing Section in the Department of Housing and Social Services is in charge of the rental houses. This entails letting the houses, rent administration, and maintenance of the houses in a good state of repair.

The letting process has a direct bearing on the expected return of the property. The council offers monthly periodic tenancies. This means that the premises were let out without a definite expiry day, the expiry of the tenancy occuring when either the landlord or tenant gives a notice. The handing over of the house occurs after the tenant pays the rent for the first month. No deposits were required. The council did not offer any pre-occupancy education to its tenants. This is educating the tenants on what their rights and responsibilities are. The tenants on being allocated the houses did not sign any hand over or take over note that indicates the condition of the house that they have been allocated. This is implies the personnel ignore a fundamental role in the letting process by not educating the tenants on their rights and responsibilities and also failing to inspect and record the condition of the property before occupancy takes place.

According to the Superintendent of Estates, transfers rarely take place. The houses are handed-over from parents to their children or between relatives with the register not being updated in the name of the new occupant. The new tenant pays the rent in the name of the former tenant without executing a new lease in his/her name. He further adds that after sometime, tenants who had been allocated the houses usually move out to go back to their rural houses. They enter into agreements with people interested with the house. Although the cases are not significant, there are conflicts that arise between tenants in the C.C.N. register and those tenants that enter into sub-tenancy arrangements. Here, tenants who for one reason or the other cease to become occupants of the houses enter into informal agreements with people interested in the house but who do not wish to go through the Council since it may take years before they get the house. They pay the registered tenant premiums as high as Ksh. 50,000 to get the house. Conflicts arise when the registered tenant attempts to evict the other party and the new tenant seeks the C.C.N.'s intervention to be registered as the rightful tenant. These cases end up in court when C.C.N. fails to recognize the illegal arrangements as the illegal tenant seeks to be rightfully recognized as the tenant or as they aim to recover the premium paid. These disputes take time to resolve tying up rent payment to the Council. This implies that the personnel at C.C.N. who should verify actual tenants registered with the C.C.N. and those presently occupying the houses do not do so, and if they are aware they choose to ignore the anomaly.

Rent charged by C.C.N. is subsidized below the market level, even if the targeted group for the houses is not the group actually occupying the houses. The Council Committee sets and reviews rent upon recommendation from the Housing Officers. Rent reviews are meant to be done after two to three years. According to the Chief Housing Officer, the rent reviews are rarely done usually after about five years and when done, they normally encounter a lot of tenant resistance in the large housing estates, often leading to time consuming Court cases. The rents that were charged before the take-over were also not competitive and are way below the market rates. For example, the Madaraka flats attract Kshs. 4,200 for the two bedroom flats and Kshs. 4,800 for the three bedroom flats. The going market rates in the area are Kshs. 15,000 – 20,000 for the two bedroom flats and Kshs. 25,000 – 35,000 three bedroom flats. These rents are about 20% of the going market rates. This again points at lapses among members of the Finance Committee and Housing Officers.

Table 4.2: Comparison of rents charged by C.C.N.

Flats in Madaraka	**Rental Charges by the Council (Kshs.)**	**Market Going Rental Rates (Kshs.)**
2 Bedrooms	4,200	15,000-20,000
3 Bedrooms	4,800	25,000-35,000

Source: Field Survey

4.4 Rent/Debt Collection Dimension in the Take-over

This section present rent collection dimension in the take-over of the management of the C.C.N. houses by the N.H.C. it covers the different projects financed by the N.H.C.

a) Rental Estates Before Take-over

The rent is payable monthly in advance. The rent paid is inclusive. This means that it includes service charge which is the levy made by the landlord for items whose responsibility to provide is the landlord, but the cost of which is to be met by the tenants. The council uses office collection method. The tenants pay their rent at the City Hall office. Those tenants living in Eastlands have an option of paying rent at the Makadara office or at City Hall. The accounts offices are computerized both at City Hall and at the Makadara office. The Makadara office submits its records on a monthly basis to City Hall for reconciliation. Each tenant has a file. On submitting payment, a receipt is dully issued and a copy kept in the tenants file.

Table 4.3: Rent for the six estates before take-over

Name of Estate	Type	Accommodation	Rent per Month/unit	No. Of Units	Total Monthly	Total Annual
Madaraka	Flats	3 bedrooms	4,800.00	348	1,670,400	20,044,80
	Flats	2 bedrooms	4,200.00	252	1,058,400	12,700,80
Kariokor	Flats	2 bedrooms	4,500.00	240	1,080,000	12,960,00
Huruma	Flats	2 bedrooms	3,550.00	336	1,192,800	14,313,60
	Maisonettes	3 bedrooms	4,000.00	249	996,000	11,952,00
Kariobangi South	Flats	2 bedrooms	3,550.00	400	1,420,000	17,040,00
	Maisonettes	3 bedrooms	4,000.00	319	1,276,000	15,312,00
Buruburu	Flats	3 bedrooms	4,000.00	180	720,000	8,640,000
	Maisonettes	4 bedrooms	5,700.00	112	638,400	7,660,800
Jamhuri	Flats	2 bedrooms	4,800.00	72	345,600	4,147,200
TOTAL				**2,508**	**10,397,600**	**124,771,2**

Source: C.C.N. Abstract of Accounts

This shows that the total annual collectable rent collectable is Kshs. 124.771,200. According to the Chief Housing Officer, the council has a 98% collection record that brings its rent collection of the six estates to about Kshs. 120,000,000 per annum.

According to the Chief Housing Officer, the Council is meant to evict tenants with two to three months arrears. This rarely happens because the tenants with arrears usually pay within that month or the next. This Chief Housing Officer attributes to the fact that the tenants do not want to be evicted from these houses because of their low rent, proximity to Nairobi Central Business District and they are aware of the high demand for these houses.

b) Management of Site and Service Schemes and Tenant Purchase Schemes

These fall under the Department of Housing Development headed by a director. The department was formed in 1978 to manage the site and service schemes. The management of tenant purchase scheme was added under its portfolio in 1990. Before that, the tenant purchase schemes fell under the Department of Social services and Housing.

The properties in these schemes are for sale purposes and are sold at an interest rate of between 2-5% over rate at which the N.H.C. charged the council on the loan. The period of repayment for both schemes is between 18-20 years. The owners make monthly payments to the Council at the Departmental Office in Dandora. Monthly records are sent to the City Hall on a monthly basis.

According to the Chief Housing Officer in the Housing Department, the Council is faced with a lot of difficulty collecting the monthly payments. This he attributed to the fact that they are sold to people with incomes employed in the informal sector. These people are former inhabitants of informal settlements demolished and housed in these schemes. Although the selling price is heavily subsidized to make it affordable to them, the monthly payments are high to them. Most of them fall into arrears. The chief Housing Officer says collection from these schemes is about 60%.

The council is meant to repossess the house after a person falls into arrears exceeding the monthly payments. According to the Chief Housing Officer, they rarely do except for the extreme cases due to the financial positions of the occupants. For the extreme cases, they repossess the property and sell it on a cash basis to any member of the public.

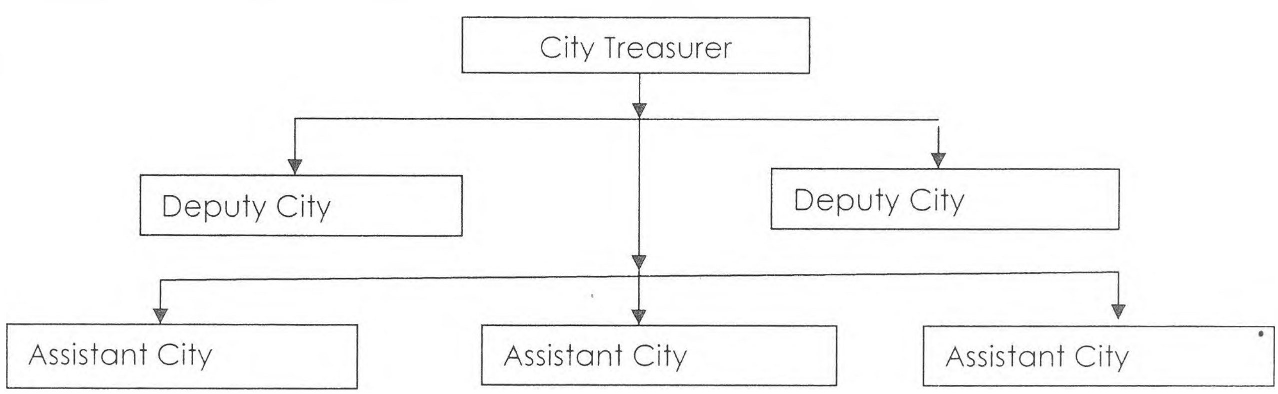
This implies that the council collection of the rent in these schemes is poor and could have contributed to the Council's inability to pay the debt it owe N.H.C. resulting in the take-over.

The N.H.C. did not take over projects under the tenant Purchase and Site and service schemes as it felt it would be unfair to the occupants who had paid to the council fully. The debt owed by the council would be serviced from the rental estates taken over by the Corporation.

4.5 Financial Management Practices Dimension in the Take-over

Financial management falls under the Treasury Department headed by a City Treasurer who is the chief financial advisor of the council. It originally had ten sections but the Audit Section is currently a fully-fledged department that makes its reports to the Town Clerk and Audit Committee. This was done in order to ensure transparency in management of council funds.

Organisation Structure of the Finance department



Source: Own Survey, May 2008

The City Treasurer informed the researcher that the Deputy City Treasurers are in charge of the debt collection whereas the Assistant City Treasurers head the various sections. The Assistant Treasurer (T) is in charge of the Accounts Section charged with the duty of maintaining the council's books of accounts, preparing annual estimates and exercising an overall control over the council's finances. According to the City Treasurer, funds collected as rent are deposited in the council's General Fund together with other council revenue. This so because the Council is governed by the Local Governments Act, and it stipulates that the rent be deposited in the account. Once the funds are in the account, they are used to meet the many council obligations. The Council's priorities with regard to estate management were on the maintenance of the houses, service provision and road network rehabilitation.

According to the City Treasurer the loan repayments were not possible. First, the rents charged were so low. Secondly, the council has had a poor financial status, resulting in its inability to service the loans since 1990. The Government has since then been assisting the Council in repayment of foreign loans and the Council is expected to repay the central Government when its financial position improves. The council owes the Government the most in terms of loans though the researcher was unable to establish the exact amount. Some of the funds could also not be accounted for as losses were incurred before the money was deposited and also when drawn from the account.

In summary, then, it can be observed that the diversion of collected funds to other Council priority areas ,the Council's apparent inability to collect enough revenue for these other areas and the apparent misappropriation of funds in the course of handling these to and from the account lead to serious shortfalls in servicing N.H.C.' debt. This takes on a serious dimension when the Government has to take over the servicing of its foreign commitments, and this also helps to explain why the N.H.C. also had to take over the said estates.

4.6 Maintenance, Financial Malpractices and the Take-over

Most of the council housing estates are relatively old with almost all of them being over 30 years old. This translates to high maintenance and repair requirements. According to the director of Planning, the council is only responsible for external maintenance, structural repairs of the buildings, the grounds and road network as well as the common areas.

Maintenance work falls under the Engineering Department headed by a City Engineer. It has thirteen Sections. The section concerned with maintenance of the estates is the Estate and Development Control Section. They only carry out the work after the Superintendant of Estates files a report with them about the maintenance.

According to the council officers, the council carried out preventive, corrective and rehabilitative maintenance of the estates while they were in their possession. The National Housing Corporation however carried out only corrective maintenance when the need arose. They did not carry out rehabilitative maintenance because the rent received was too low and they were only interested in recouping their money as fast as possible.

The researcher did not carry out a survey on the internal state of repair of the houses. He was only interested in establishing whether the council did carry out its part of obligations. He was however able to establish from the occupants that the sate of the estates has been in the same state for very many years.

4.7 State of Maintenance and Repairs of the Estates

The state of the external structures was in a good state as far as the researcher was able to establish for all the housing estates. There are no visible cracks that can be seen

The external walls are made of natural stone. For some estates, the walls rendered and white washed while for the other estates the walls are made of natural stone that is keyed. Paint has peeled of the white washed walls and repainting is needed. The keyed walls are dirty due to accumulation of dirt and require brushing.

Ground maintenance involves the mowing of grass, tilling the flowerbeds and trimming of bushes. The grass in the estates is not mowed in some areas. The tenants claim they cut the grass themselves around their houses and leave the rest for the council. The grass is cut by council workers about twice an year when it is already an eyesore. The shrubs in the estates are not trimmed showing negligence on the part of the council. The grounds are also littered with pieces of paper.

The road networks have also not been maintained. There is evidence of tarmac roads having existed but it is almost completely worn out in some of the estates. Other estates are served with dirt roads that become impassable during rainy seasons according to the occupants.

According to N.H.C., the grounds maintenance is still the Council's responsibility. The council is also responsible for garbage and refuse collection in the estates. The Corporation is only charged with the maintenance of the structures. It only carries maintenance on the request of the tenants. It does not carry out inspections of the estates and has no site clerks for the council estates.

This implies that the funds set aside by the Treasury Department to be used for maintenance, service provision and rehabilitation of road networks in the estates cannot be accounted for due to the state of repair of the Council estates.

4.8 Current C.C.N. Debt Standing

The debt standing for the 54 housing estates has been fully amortised. This was after the N.H.C. sold one of the City Council's housing estate to offset the debt. Madaraka Estate was sold giving priority to the tenants on a cash basis.

Madaraka estate is comprised of 600 two and three bedroom units. It is comprised of 44 blocks of flats. It is located in Nairobi West, Langata Constituency, along Langata Road and is approximately three kilometres from the Central Business District.

The Corporation did not give any form of financial aid to the tenants and expected them to source for their own funds.

Table 4.4: Sale Value of Madaraka Flats

Accommodation	**No. Of Units**	**Approximated Current Value (N.H.C.)**	**Selling Price**	**Total**
2 Bedrooms	252	3,000,000	1,600,000	**403,200,000**
3 Bedrooms	348	3,000,000	2,100,000	**730,800,000**
TOTAL	**600**			**1,134,000,000**

Source: N.H.C. Abstract of Accounts

The N.H.C. valued both the two and three bed roomed houses at shillings three million, which is not correct. The houses were sold at below the market value at the shown prices after an agreement between the N.H.C. and C.C.N. This was so because the tenants were low income earners and most of them had resided in the estate since the time the estate was constructed. The price thus had to be subsidized accordance with each of the organizations objectives of providing housing to the low-income earners.

5 CHAPTER FIVE

CONCLUSIONS AND RECOMMENDATIONS

5.1 Summary of the Study

The purpose of this study was to investigate the factors that led to the take-over of the local authority housing estates by the National Housing Corporation as a result of failure by the local authorities to pay back the money loaned to them for their housing development. The study was guided by the following specific objectives to find out:

1. The role of the human resource factor.
2. The role of the rent/debt collection factor.
3. The role of the financial management practices factor.

An in depth case study of the City Council of Nairobi was conducted targeting six estates that were taken over.

5.2 Summary of Findings

This section provides key findings of the study. The section follows the outline suggested by the study questions.

The National Housing Corporation has funded the City Council of Nairobi in the construction of 106 housing estates through a loan totaling Kenya shillings 696,397,057.48 repayable at between 3% and 11.25 % for a duration ranging from 10 to 40 years. Of these, the City Council defaulted in the repayment of a loan of Kenya shillings 143,541,671.93 for 54 housing projects with cessation in repayments beginning in 1985 and totally ceasing in 1992. The N.H.C. took over the management of six of the rental estates to recover its debt which totalled Kenya shillings 1.3 billion. In 2007, it commenced the sale of one of these estates in order to recover its debt in full. The Madaraka Estate was sold for a value of Kenya shillings 1.134 billion.

The study found that each of the factors that guided the study had a significant role in the problem of CCN's inability to service its loan, leading to the take-over.

There were lapses in planning and implementation of functions and activities that the personnel at C.C.N. should carry out in the effective management of its estates. These lapses played a significant role in its inability to generate adequate revenue to service its debt, thus leading to default in the repayments. These functions relate to such property management activities such as letting, maintenance and provision of essential services in the rental housing units. Failure to maintain updated tenancy records led to illegal tenant arrangements, tenant conflicts and legal suits that withhold rent revenue. The failure to conduct rent reviews creates a situation where the rental houses are subsidized way below the below the market rates. The rents charged are about 20% of the market rates.

These lapses led to the C.C.N.'s inability to collect enough rent revenue to service its financial obligation to the N.H.C. this was also true of the site and service and tenant purchase schemes. Monthly payments from some those who expressed interest in them and entered into sale agreements with C.C.N. were unable to service their debt to C.C.N. regularly their debt regularly. This led to repayment arrears, revenue deficits and thus lapses in the Council's repayment of its debt to N.H.C. the recovery process of these arrears is also hampered by the Council's lenient approach. The cumulative effect of all this is that the C.C.N was unable to service its debt to the N.H.C. leading to the take-over.

Finally, the financial management practices at the C.C.N. also have a significant role to play in the inability of the council to service its debt to service its debt to the N.H.C. The council pools all; its revenue in its General Rate Fund. After collections, it did not prioritise its debt repayment to the N.H.C., say by creation of an N.H.C. account to channel proceeds from rental and sale income from the N.H.C. funded projects. As a result, the revenue is either out rightly misappropriated in transit to and from the Fund or distracted by its other activities. These led to its inability to service the debt to N.H.C. and therefore the N.H.C.'s decision to take over management of the six estates.

5.3 Conclusions

The purpose of the study was to investigate the factors leading to the take-over of the local authority houses by the National Housing Corporation as a result of the failure of the authorities to service loans advanced to them for development of housing projects. The study took an in-depth look at the case of City Council of Nairobi. The study concludes, based on findings, that the three factors as most influential in accounting for the inability of the C.C.N. to meet its financial obligation are indeed significant. The qualitative design adopted for the study yields findings that also uphold the hypothesis of the study that the City Council of Nairobi did not manage the housing estates developed properly, leading to inability to generate adequate revenue to service its debt to the National Housing Corporation while meeting its other financial obligations, and thus led to the take-over action by the N.H.C. to recover its money.

5.4 Recommendations

In order to enhance the management of housing development projects by local authorities both for enhanced revenue collection, to offer quality services to their clients and for enhancing capacity to service any financial commitments to its development partners, the following recommendations are made:

The Department of Social Services and Housing should be made autonomous. It should be responsible of the revenue generated from the housing estates. In this way, diversion of funds to other obligations of the Council will be avoided enabling the payment of debts that arose as a result of their construction. It will also enable the council to accumulate more funds for new housing developments.

The Council should carry out investigations within the housing estates to establish the rightful occupants of the houses. Strict transfer rules and procedures should be established and adhered to spelling out punitive measures for tenants who engage in local arrangements of transfer. This will ensure the council has control over the type of tenants it has, it will prevent the occurrence of court cases when the relationship between those parties goes sour and result in the council losing revenue and also ensure those following the due process, those in the waiting list, get allocated the houses as soon as they are available.

The Housing Act that governs the National Housing Corporation should be reviewed in order to enhance its effectiveness in providing housing in Kenya. This could be through enactment of the Housing Bill and conducting a general review of the provisions of the housing policy highlighting improved financing for housing through issuance of bonds as a source of capital for construction.

The N.H.C. is a Government body established to provide housing to the low income earners. It is therefore more logical for the government to loan money to the N.H.C. which will then develop the houses without involvement of the local authorities. The N.H.C. can then acquire the land set aside by C.C.N. for housing development as a grant or at a subsidized price and they can then carryout the developments. On the other hand, the Government can loan the money directly to the local authorities without involving the N.H.C. in this way, if the Government genuinely sees the local authority is having financial problems not caused by mismanagement, it can convert the loan to a grant to that local authority. The Government can also recover its annuity directly from the annual grants allocated to the local authorities through the LATF.

The C.C.N. though catering for low income earners should charge economic rent i.e. break-even rent. This is rent that is equivalent to the various costs inherent in holding the property without any profits accruing to it. This will help increase the revenue collected from the housing estates improving the financial base of the Council while at the same time keeping the houses affordable to the low-income earners.

The Council housing estates are very old and should be sold to their present occupants. This will prevent them from any further physical deterioration due to lack of maintenance. This will enable the Council reduce its financial burden in maintaining the estates and generate income from the sale that can be used to construct new houses that will help meet the demand for housing that has dramatically increased over the last two decades.

5.5 Area of Further Study

There are important issues that this study was unable to address because of its scope and methodology. This calls for further investigation in:

Innovative ways of improving affordability of housing directly where the government provides infrastructure and identifies strategic trust lands then invites to construct and develop the housing units or indirectly through subsidisation of the of the overall cost of construction ultimately reducing the cost of housing per unit.

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Appendix I: Cover Letter to Respondents of Questionnaires

NDUA TONY WANYUTU
UNIVERSITY OF NAIROBI
DEPARTMENT OF REAL
ESTATE & CONSTUCTION
MANAGEMENT,
P.O. BOX 30197-00100,
NAIROBI.

Dear Participant,

I am a fourth year student carrying out research on factors that contributed to failure of local authorities to meet their financial obligations case of City Council of Nairobi in relation to the loans advanced to it by the National Housing Corporation.

The Questionnaires have been designed so that you can complete them quickly and easily. Most of them require the ticking of the appropriate response.

You can be absolutely sure that all the information you provide will be highly appreciated and is strictly confidential and for academic purpose only.

Thank you for your valuable assistance.

Yours sincerely,

TONY WANYUTU.

QUESTIONNAIRE TO CITY COUNCIL OF NAIROBI

REPONDENT DETAILS

Name of Respondent:____

Position of Respondent:______________________________________

1. Is there a department or section within CCN that deals with or dealt with NHC financed houses?

   [ ] Yes [ ] No

   If yes, proceed to question 3

   If no, answer question 2

2. How does CCN manage these NHC financed houses?

   ____

   ____

   ____

   ____

3. What are the components of the department or section dealing with NHC financed houses with regard to the Human Resource element, i.e. the organizational structure of the department

4. In what form was the financial aid given by N.H.C.?

   [ ] Grant [ ] Loan

5. If it was a loan, on what terms and conditions?

   ____
   ____
   ____

6. What was the loan used for?

   ____
   ____
   ____
   ____

7. For what kind of market were the estates created?

   [ ] Rental [ ] Sale

8. Of what type were the estates?

   [ ] Flats

   [ ] Bungalows

   [ ] Maisonettes

   [ ] Town Houses

   [ ] Terraced Houses

9. Type of housing units?

Estate	Type of Housing	Accommodation	No. Of Units

10. How is the rent collected?

[ ] Office collection at City Hall

[ ] Office collection at an office in the estates

[ ] Door-to-door collection by an agent

[ ] Collection by post credit transfers or bankers order

[ ] Any other System (specify)

____

11. How is the rent payable?

[ ] Advance [ ] Arrears

20. The breakdown of rent

Estate	**No. Of Units**	**Rent per Month**	**Rent per Annum**	**Actual rent collected per annum**	**Difference**

20. Is all the money collected from rent remitted to N.H.C.?

[ ] Yes [ ] No

(If yes, go to question 22. If no answer question 21)

21. What fraction of monies received from these estates is remitted to N.H.C.?

____

22. How was the money remitted to N.H.C.?

____

____

____

12. Are rent payment defaults common?

[ ] Yes [ ] No

13. If yes, how are these arrears recovered?

____

____

____

14. Are rent reviews undertaken?

[ ] Yes [ ] No

15. If yes, how frequently is the review undertaken? _______________

16. If no, what was the reason for not reviewing the rent?

____

____

____

17. Breakdown of debt

Estate	Amount of Loan Awarded	Interest Rate per Annum	Amount Repaid	Amount Remaining	Date of Take Over

18. Were there cessations in the servicing of NHC's debt?

[ ] Yes [ ] No

19. If yes, when did they cease?

____

20. What generally caused the cessation in repayments?

____

____

____

____

____

INTERVIEW SCHEDULE TO CITY COUNCIL OF NAIROBI

Respondent: Chief Estate Officer

1. What are the roles of the officers?

a) Chief Housing Officer:

____

____

____

b) Housing Officer I:

____

____

____

c) Housing Officer II:

____

____

____

d) Housing Officer III:

____

____

____

e) Supporting Staff:

____

____

____

Where is the money collected from rent remitted within the Council?

____

____

____

____

____

QUESTIONNAIRE TO NATIONAL HOUSING CORPORATION

REPONDENT DETAILS

Name of Respondent:____

Position of Respondent:______________________________________

1. In what form was the financial aid given to C.C.N.?

   [ ] Loan [ ] Grant

2. If it was a loan, what circumstances led N.H.C. to lend money to C.C.N.?

   [ ] Government directive

   [ ] Approach from C.C.N.

   [ ] Requirement by the Housing Act Cap 117 of the Laws of Kenya

3. Where did N.H.C. get the money to lend the money to C.C.N.?

   ____

   ____

   ____

   ____

4. If source of money was a loan, who was the lender?

   ____

5. What were the terms of agreements between N.H.C. and the lender?

   ____

   ____

   ____

   ____

6. What were the terms of agreement between N.H.C. and C.C.N.?

   ____

   ____

   ____

   ____

7. Was there any other form of assistance given to C.C.N.?

   [ ] Designing the houses

   [ ] Constructing the houses and handing them over to C.C.N.

   [ ] Other (specify) ________________________________

8. For what purpose was the loan given to C.C.N.?

[ ] Slum upgrading

[ ] Site and Service Scheme

[ ] Low cost housing

9. Break down of loan given

Estate	Amount of Loan Awarded	Interest Rate per Annum

10. Were any repayments on the loan ever made by the City Council of Nairobi?

[ ] Yes [ ] No

11. If yes, outline the repayment history in the Table below:

Estate	Amount Repaid	Amount Remaining

12. Were there any cessations in the repayment of the loan?

[ ] Yes [ ] No

13. If yes, what action did the National Housing Corporation take?

[ ] Take-over

[ ] Repossession

[ ] Legal action in Court

[ ] Other (Specify) ______________________________

INTERVIEW SCHEDULE TO CITY COUNCIL OF NAIROBI

Respondent: Company Secretary

Please give details of N.H.C.'s action upon cessations of repayments by the local authorities.

Respondent: Chief Accountant

Please give details of the current debt status between N.H.C. and C.C.N.

APENDIX II: LOCAL AUTHORITY HOUSES TAKEN OVER BY N.H.C.

ATHI RIVER

	Estate	Type	No. of Units	Date of Construction	Accommo-dation	Rent per Month/unit	All Total Rent per Month	All Expected Annual Rent	Take-Over Date
1	Madaraka	Bungalows	16	1969	1BR	1,200.00	19,200.00	230,400	Mar-02
	Rental								
	Madaraka		12			1,200.00	14,400.00	172,800	
	Rental								

BUSIA

1	Busia	Bungalow	10	1972	1 Bdr	360.00	3,600.00	43,200.00	Jul-92
	Rental								
2	Amagoro	Bungalow	3	1975	1 Bdr	310.00	930.00	11,160.00	
			5		2 Bdr	370.00	1,850.00	9,250.00	
3	Nambale	Bungalow	10	1973	2 Bdr	550.00	5,500.00	66,000.00	

KAKAMEGA

1	Otiende	Bungalow	5		3BR	1,500.00	7,500.00	90,000.00	Feb-92
	Estate								
			2	1973	3BR	1,800.00	3,600.00	43,200.00	
			6		2BR	1,300.00	7,800.00	93,600.00	
			20		2BR	1,250.00	25,000.00	300,000.00	
2	Amalemba	Bungalow	4		1BR	500.00	2,000.00	24,000.00	
			2			1,000.00	2,000.00	24,000.00	
			4	1970		420.00	1,680.00	20,160.00	
			31		1BR	775.00	24,025.00	288,300.00	
			2		1BR	570.00	1,140.00	13,680.00	
3	Mudiri	Bungalow	60	1968		1,000.00	60,000.00	720,000.00	

ELDORET

	Estate	Type	No. of Units	Date of Constructio	Accommo-dation	Rent per Month/unit	All Total Rent per Month	Expected Annual Rent	Take-Over Date
1	**Macharia**	Bungalow	246	1967	Single Room	435.00	1,070.00	1,284,120.00	
	Macharia		6		Double Room	735.00	4,410.00	529,203.00	
2	**Kilimani**	Bungalow	185	1967	I Bdr	937.00	173,345.00	2,085,140.00	
3	**Tom Mboya**	Bungalow	48		1 Bdr	800.00	38,400.00	460,800.00	
4	**Kuria**	Bungalow	87	1969	1 Bdr	950.00	82,650.00	991,800.00	
5	**Mayabi**	Bungalow	58		1 Bdr	2,000.00	116,000.00	1,397,000.00	
6	**Kodhek**	Bungalow	21		3BR	5,200.00	109,200.00	1,310,400.00	
7	**Bondeni- Ph1**	Bungalow	66		1BR	2,400.00	158,400.00	1,900,800.00	
	Bondeni- Ph2		57		2 Bdr	2,900.00	165,300.00	1,983,600.00	
8	**Pioneer- Ph1**	Bungalow	76		1Bdr	1,900.00	144,400.00	1,732,800.00	
	Pioneer- Ph2	"	124		I Bdr with	1,900.00	235,600.00	2,827,200.00	
					compound	2,400.00	297,600.00	3,571,200.00	
9	**Kamanda**	Bungalow	66		1 Bdr	800.00	5,800.00	633,600.00	
10	**Kipchoge**	Bungalow	251	1973	1 Bdr	800.00	200,000.00	2,409,000.00	
11	**Uhuru**	Bungalow	240		1 Bdr	1,300.00	312,000.00	3,744,000.00	
12	**Transit**	Bungalow	16	1972	Single Room	690.00	11,040.00	132,480.00	
13	**St. Marys**	Bungalow	16		"	410.00	6,970.00	66,300.00	
	Kapsuswa Ph2		100	1978	Single Room	700.00	70,000.00	840,000.00	
	Kapsuswa Ph3		20	1980	1 Bdr	2,300.00	46,000.00	552,000.00	
15	**Kidiwa**	Bungalow	192		Single Roon	435.00	83,520.00	1,002,240.00	
					1 Bdr	785.00	1,195.00	254,340.00	
	"		27	1975	;ingle Roor	535.00	48,150.00	577,800.00	
	"		90		Single Roon	485.00	15,035.00	180,420.00	
			44		I Bdr	887.00	39,028.00	468,336.00	
			6		Shops	1,800.00	10,800.00	129,600.00	
			18		"	1,200.00	21,600.00	259,200.00	
			18		"	1,000.00	18,000.00	216,000.00	

12/1/2003

KISUMU

	Estate	Type	No. of Units	Date of Construction	Accommo-dation	Rent per Month/unit	All Total Rent per Month	Expected Annual Rent	Take-Over Date
1	Arina 1	Bungalow	300	1978	1BR	640.00	192,000.00	2,304,000.00	
	Arina 2	Bungalow	175	1971	2BR	720.00	126,000.00	1,512,000.00	
	Arina 3	Bungalow	50	1973	3BR	1,100.00	55,000.00	660,000.00	
2	Ondiek 1	Bungalow	165	1969	2BR	600.00	99,000.00	1,188,000.00	
	Shops 2		3			3,200.00	9,600.00	115,200.00	Jan-95
3	Makasembo	Bungalow	125		2BR	720.00	90,000.00	1,080,000.00	
	Shops		3	1969	Shops	3,200.00	9,600.00	115,200.00	
4	Mosque	Bungalow	88		3BR	1,200.00	105,600.00	1,267,200.00	
	Shops		3	1969		3,200.00	9,600.00	115,200.00	
5	USAID TP	Bungalow	88	1982	Core units	580.00	51,040.00	612,480.00	
6	Argwings Kodhek	Flats	48	1969	3BR	2,220.00	106,560.00	1,278,720.00	Jan15/2004

KITALE

1	Shouri Moyo	Bungalow	128		single 1R	340.00	43,520.00	522,240.00	
2	Bondeni	Bungalow	254		2R	340.00	86,360.00	1,036,320.00	
3	Masaba-BH		80		single R	280.00	22,400.00	268,800.00	
4	Mumias		50		single R	290.00	14,500.00	174,000.00	
5	Masaba		28		1BR	850.00	23,800.00	285,600.00	
6	Munubi		10		2BR	1,900.00	22,800.00	273,600.00	
7	Starehe		50		2BR	2,500.00	125,000.00	1,500,000.00	
8	Masaba - 1		96		2BR	850.00	81,600.00	979,200.00	
9	Webuye		6		2BR	1,600.00	9,600.00	115,200.00	
10	Cherangani	Bungalow	48		3BR	3,000.00	144,000.00	1,728,000.00	
11	Matano	Bungalow	24		1BR	1,600.00	38,400.00	460,800.00	
12	Soweto	Bungalow	18		1BR	125,000.00	22,500.00	270,000.00	
	Soweto		18		2BR	1,500.00	27,000.00	324,000.00	

MERU

	Estate	Type	No. of Units	Date of Construction	Accommo-dation	Rent per Month/unit	All Total Rent per Month	All Expected Annual Rent	Take-Over Date
1	Angaine	Bungalow	20		1 Bdr	750.00	15,000.00	180,000	
			46		1 Bdr	1,000.00	46,000.00	552000	
2	Tuntu	Bungalow	12		3 Br	1,500.00	18,000.00	216,000	
			1		3 Br	2,500.00	2,500.00	30,000	
			1		2 Br	1,200.00	1,200.00	14,400	
			3		2Br	600.00	2,400.00	28,800	
			3		2 Br	700.00	2,100.00	25,200	
3	Ngala T.P		3			390.00	1,170.00	14,040	
			3			510.00	1,530.00	18,360	
4	Kooje		65		2 Br	642.00	41,760.00	501,120	

NAIVASHA

3	Rental	Bungalows	491		Single rooms	440.00	216,040.00	3,473,520	Jul-04

NYERI

1	Wamagana	Bungalow	4	1972	2 Bdr	600.00	2,400.00	28,800.00	
			2		3 Br	800.00	1,600.00	19,200.00	

OL KALAOU

1		Site & Service	130	1979	N/A	313.00	40,690.00	488,280.00	

VIHIGA - T/P & RENTAL

1	Vihiga TP		54	1994	2 rms	1,381.00	74574	894888	

MOMBASA

	Estate	Type	No. of Units	Date of Construction	Accommo-dation	Rent per Month/unit	All Total Rent per Month	All Expected Annual Rent	Take-Over Date
1	Kisauni (Khadija)	Bungalow	100	1980	2BR	1,375.00	137,500.00	1,650,000.00	
2	Jomo KenyattaA	Flats	144	1967	2BR	1,375.00	198,000.00	2,376,000.00	
3	Jomo KenyattaB	Flats	144	1967	1BR	1,175.00	169,200.00	2,030,400	
4	New Changamwe	Flats	237	1976	1BR	1,175.00	278,475.00	3,341,700.00	
	New Changamwe	Flats	4	1976	2BR	1,950.00	7,800.00	93,600.00	
5	Old Changamwe	Flats	520	1973	2BR	1,075.00	559,000.00	6708000	
6	Tom Mboya	Flats	32	1967	3BR	2,585.00	44,000.00	528,000.00	Jan15-04
7	Mvita 1	Flats	6	1971	2BR	1,175.00	7,050.00	84,600.00	
	Mvita 2	Flats	6		3BR	1,375.00	8,250.00	99,000.00	
8	Likoni LF	Flats	186	1974	2BR	1,920.00	357,120.00	4,285,440.00	
	Likoni LH	Bungalow	120		3BR	2,080.00	249,600.00	2,995,200.00	
		Bungalow	48		4BR	2,335.00	112,080.00	1,344,960.00	
9	Buxton 1 & 2	Flats	248	1976	2BR	1,175.00 2,285.00	291,400.00	3,496,000.00	
	Buxton	Shops	2		shops	1,725.00	3,450.00	41,400.00	
	Buxton	Bungalow	96		2 Bdr	2,585.00	248,160.00	2,977,920.00	
11	Voi	Flats	15	1972	1 Bdr	400.00	6,000.00	72,000.00	

NAKURU- LOCAL AUTHORITY

	Estate	Type	No. of Units	Date of Constructioı	Accommo-dation	Rent per Month/unit	All Total Rent per Month	All Expected Annual Rent	Take-Over Date
1	Flamingo 1	Bungalow	1056		single R	400.00	422400	5068800	
	Flamingo 2	"	215		1BR	800.00	17200	2064000	
	Flamingo 3	"	17		2BR	1,050.00	17850	214200	
2	Dedan	"	456		single R	440.00	200640	2407680	
3	P. Machanga	"	384		single R	440.00	168960	2027520	
4	Kivumbini	"	624		single R	440.00	274560	3294720	
5	Baharini	"	512		single R	440.00	225280	2703360	
6	Kaloleni A1	"	200		single R	410.00	82000	984000	
	Kaloleni A2	"	200		single R	400.00	80000	960000	
	Kaloleni B	"	240		single R	400.00	96000	1152000	
	Kaloleni C	"	312		1BR	800.00	249600	2995200	
7	Shauri Yako1	"	272		single R	500.00	136000	1632000	
	Shauri Yako2	"	16		single R	630.00	10080	120960	
	Shauri Yako3	"	6		single R	700.00	4200	50400	
8	Lumumba	"	192		single R	440.00	84480	1013760	
9	Nakuru Press	"	84		single R	440.00	36960	443520	
10	Lower misonge	"	25		single R	125.00	3125	37500	
11	Ngala Flats 1	Flats	10		1BR	1,350.00	13500	162000	
	Ngala Flats 2	"	29		1BR	1,250.00	36250	435000	
	Ngala Flats 3	"	3		1BR	1,300.00	3900	11700	
	Ngala Flats 4	"	9		2BR	1,400.00	12600	151200	
	Ngala Flats 5	"	1		1BR	1,500.00	1500	18000	
12	Ngei 1	Bungalow	20		2BR	1,400.00	28000	336000	
	Ngei 2	"	5		1BR	1,250.00	6250	75000	
	Ngei 3	"	41		1BR	1,200.00	49200	590400	
	Ngei 4	"	9		1BR	1,100.00	9900	118800	
	Ngei 5	"	26		1BR	1,050.00	27300	327600	

	Kabachia I		2			1,190.00	2380	28560	
			20			1,200.00	24000	288000	
	II		56			1,050.00	58800	705600	
	Kabachia I&III		60			1,110.00	66600	799200	
	"		8			1,200.00	9600	115200	
	Kabachia II		11			1,250.00	13750	165000	
	Kabachia IV		39			2,000.00	78000	936000	
	Old Ojuka		10			750.00	7500	90000	
	Old Ojuka		7			680.00	4760	57120	
	New Ojuka		2			810.00	1620	19440	
	New Ojuka		1			865.00	865	10380	

NAIROBI

								All	
	Estate	**Type**	**No. of**	**Date of**	**Accommo-**	**Rent per**	**All Total**	**Expected**	**Take-Over**
			Units	Constructior	**dation**	**Month/unit**	**Rent per**	**Annual**	**Date**
							Month	**Rent**	
1	**Madaraka 1**	Flats	600	1973	3BR	4,800.00	1,670,400.00	20,044,800.00	1998
	Madaraka 2	Flats			2BR	4,200.00	1,058,400.00	12,700,800.00	
				1972					
2	**Kariokor**	Flats	240	1970	2BR	4,500.00	1,080,000.00	12,960,000.00	
3	**Jamhuri**	Flats	72	1970	2BR	4,800.00	345,600.00	4,147,200.00	1/15/2004
4	**Huruma 1**	Flats	336	1977	2BR	3,550.00	1,192,800.00	14,313,600.00	
	Huruma 2	Maisonatte	249		3BR	4,000.00	996,000.00	11,952,000.00	
5	**Kariobangi**	Flats	400	1971	2BR	3,550.00	1,420,000.00	17,040,000.00	
	South 1								
	Kariobangi	Maisonatte	319	1979	3BR	4,000.00	1,276,000.00	15,312,000.00	
	South 2								
6	**Buru Buru 1**	Flats	64		1BR	2,120.00	135,680.00	1,628,160.00	

APPENDIX III: SUMMURY OF LOANS ADVANCED TO C.C.N. BY THE N.H.C.

No.	Name of the scheme	Project Type	Completion Date	Loan Duration	Amount of Loan to council	ANNUITY	Interest Rate	Date of First Installment.	Date of last Installment.	Remaining Installments
1	African Housing-Kaloleni	Rental	31 12.67	**40**	43,005.94	1,321.15	**3.00**	31 12.67	Fully Amortised	0
2	African Housing-Ziwani/S Mo	Rental	31 12.67	**38**	766,564.58	27,713.15	**3.00**	31.12 67	Fully Amortised	0
3	African Housing-Kaloleni	Rental	31 12 67	**38**	543,531.54	19,650.00	**3.00**	31 12.67	Fully Amortised	0
4	African Housing-Kaloleni	Rental	31 12.67	**39**	558,505.37	19,389.15	**3.00**	31 12.67	Fully Amortised	0
5	African Housing-Kaloleni	Rental	31 12.67	**40**	133,573.92	4,309.70	**3.00**	31 12.67	Fully Amortised	0
6	African Housing-Kaloleni	Rental	31 12.67	**40**	17,807.82	538.70	**3.00**	31 12.67	Fully Amortised	0
7	African Housing-Kaloleni	Rental	31 12.67	**40**	46,300.35	1,400.65	**3.00**	31 12.67	Fully Amortised	0
8	African Housing-Kaloleni	Rental	31 12.67	**40**	72,909.03	2,029.25	**3.00**	31 12.67	Fully Amortised	0
9	African Housing-SCH	Rental	31.12.67	**40**	92,904.54	2,585.80	**3.00**	31 12.67	Fully Amortised	0
10	African Housing Project PH.I	Rental	31 12.67	**31**	4,391,114.40	338,224.93	**6.75**	31 12.67	Fully Amortised	0
11	Ofafa PH III Design& Superv	Rental	31 12.67	**32**	761,178.50	28,142.80	**6.50**	31 12.67	Fully Amortised	0
12	Ofafa PH.III Design& Superv	Rental	31 12.67	**32**	381,650.49	14,500.75	**6.75**	31 12.67	Fully Amortised	0
13	Services at Embakasi PH.III	Rental	31 12.67	**12**	51,886.38	2,988.50	**6.50**	31 12.67	Fully Amortised	0
14	Rental SCH-Kariobangi	Rental	31 12.67	**30**	1,531,716.27	57,775.75	**6.50**	31 12.67	Fully Amortised	0
15	Services for Rental-Karioban	Rental	31 12.67	**21**	119,161.94	5,127.50	**6.50**	31 12.67	Fully Amortised	0
16	Embakasi Housing-PH III	Rental	31 12.67	**22**	531,819.67	22,431.00	**6.50**	31 12.67	Fully Amortised	0
17	Embakasi PH III-Services	S/S	31 12.67	**12**	51,886.38	2,988.50	**6.50**	31 12.67	Fully Amortised	0
18	Services at Kariobangi	S/S	31 12.67	**22**	121,588.98	5,132.30	**6.50**	31 12.67	Fully Amortised	0
19	Installation of electricity	S/S	31 12.67	**32**	15,223.57	562.85	**6.50**	31 12.67	Fully Amortised	0
20	Planting of trees-Ofafa PH I	S/S	31 12.67	**32**	76,117.84	2,814.25	**6.50**	31 12.67	Fully Amortised	0
21	Conversion of C.E.R.S. OFF	S/S	31 12.67	**32**	20,932 46	776.90	**6.50**	31.12.67	Fully Amortised	0
22	Employers Housing	Rental	31 12.67	**12**	390,240.77	22,503.30	**6.50**	31 12.67	Fully Amortised	0
23	African owner builders	S/S	31 12.67	**13**	246,545.04	13,782.95	**6.75**	31 12.67	Fully Amortised	0
24	Depot Housing-Ngong	Rental	31 12.67	**33**	44,033.28	1,661.10	**6.75**	31 12 67	Fully Amortised	0
25	Rental SCH-Embakasi	Rental	31 12.67	**33**	747,796.84	27,913.25	**6.75**	31 12.67	Fully Amortised	0
26	Services for Afri.Housing PH	S/S	31 12.67	**30**	896,550.73	40,240 45	**6.75**	31 12.67	Fully Amortised	0
27	Nairobi Africa Housing sch	Rental	31 12.67	**40**	10,687,369.55	413,509.60	**6.75**	31 12.67	Fully Amortised	0
28	Re-Development-Pumwani E	S/S	31 12.67	**20**	3,500,000 00	123,294 15	**6.00**	31 12.67	Dec.2008	4.5
29	Expenditure-Ofafa Jericho es	Rental	31 13.67	**33**	5,368,480.00	187,741.65	**6.00**	31 12.67	Fully Amortised	0
30	Expenditure-Ofafa Jericho es	Rental	31 12.68	**33**	7,753,200.00	271,137.95	**6.00**	31 12.68	Fully Amortised	0
31	Expenditure-Ofafa Jericho es	Rental	31 12.69	**33**	6,562,000.00	229,480.35	**6.00**	31 12.69	Fully Amortised	0
32	Expenditure-Ofafa Jericho es	Rental	31 12 70	**33**	2,462,640.00	86,121 25	**6.00**	31 12.70	Fully Amortised	0
33	Uhuru estate PH.II	Rental	31 12.68	**40**	5,000,000.00	176,134.50	**6.50**	31 12.68	Dec.2008	4.5
34	uhuru estate PH.III	Rental	31 12.69	**40**	1,000,000.00	35,226.90	**6.50**	31 12.69	Dec.2008	4.5
35	Site & services-Kariobangi	S/S	31.12.67	**17**	716,240.30	32,226.90	**6.00**	31 12.67	Fully Amortised	0
36	Kariokor Development-240 fl.	Rental	31 12.67	**36**	2,397,518.30	53,873.55	**3.00**	31 12.67	Dec.2008	4.5
37	Depot Housing-Ngong Ruiru	Rental	31.12.67	**32**	257,818.80	9,333.15	**6.50**	31 12.67	Fully Amortised	0
38	Site & services-Kariobangi	s/s	31.12.67	**18**	311,532.05	14,121.00	**6.75**	31 12.67	Fully Amortised	0

39	Site & services-PH II & III	s/s	31.12.68
40	Kariobangi PH.IV	S/S	31.12.69
41	Timber Housing pilot 50 Hse:	S/S	31.12.69
42	Pre-cast concretes-Karioban	S/S	31.12.69
43	Washington slabs-247 plots-l	S/S	31.12.67
44	Redevelopment-Pumwani es	S/S	31.12.67
45	Redevelopment-Pumwani es	S/S	31.12.67
46	Uhuru Estate-Ph II	S/S	31.12.68
47	Uhuru Estate	S/S	30.06.70
48	Low cost Housing-Kariobang	S/S	30.06.70
49	Low cost Housing-Kariobang	S/S	30.06.70
50	Low cost Housing-Uhuru est	S/S	30.06.70
51	Uhuru estate PH.IV-Rental	Rental	31.12.70
52	Low cost SCH. Kariobangi	S/S	31.12.70
53	Mathare Valley Dev.Sch.	S/S	31.12.70
54	Low cost Housing-Kariobang	S/S	30.06.71
55	Construction of AERODROM	S/S	30.06.71
56	Construction of AERODROM	S/S	30.06.73
57	Uhuru Low cost-SCH	S/S	30.06.71
58	Low cost Housing-Mathare	S/S	30.06.71
59	Outer-Ring Rd Rental-44 Hse	Rental	31.12.71
60	Kariobangi PH.IV 332 Hses	S/S	30.06.72
61	Mathare Rental SCH.	Rental	30.06.72
62	Staff Housing-Askari	Rental	31.12.72
63	Mathare Valley-Site & service	s/s	31.12.72
64	Gikomba Building corp. socie	Rental	30.06.73
65	Loan to Mji WaHuruma peop	S/s	30.06.74
66	Harambee estate PH.IV T.P	T/P	30.06.73
67	Buruburu Rental SCH.	Rental	30.06.78
68	Service plots at Mathare	s/s	30.06.74
69	Harambee estate PH.II-Rent	Rental	30.06.73
70	Mathare Valley Dev.Sch.	S/s	31.12.70
71	Mathare V Rental-Huruma es	Rental	30.06.76
72	Kariobangi PH. V	Rental	30.06.77
73	Mathare Valley Rental(Hurun	Rental	31.12.76
74	Mathare Rental SCH.(Hurum	Rental	31.12.78
75	Site and services T.P -Kariob	s/s & T/P	30.06.78
76	Kahawa West Housing SCH.	Rental	30.06.80
77	Komarock Rd.T.P	T/P	30.06.80
78	Huruma Site& Services	S/S	31.12.81
79	Umoja T.P	T/P	31.5.92
80	Mathare Valley Rental scher	Rentals	30.06.75
81	Dandora site & services-0/80	S/S	31.12.78

	1,900,000.00	83,851.35	**6.75**	31.12.68	Fully Amortised	0
20	820,000.00	36,922.90	**6.50**	31.12.69	Fully Amortised	0
10	540,000.00	37,140.45	**6.50**	31.12.69	Fully Amortised	0
20	480,000.00	21,613.40	**6.50**	31.12.69	Fully Amortised	0
19	108,000.00	4,863.00	**6.50**	31.12.67	Fully Amortised	0
39	2,500,000.00	176,112.45	**6.50**	31.12.67	Dec.2014	10.5
19	2,500,000.00	225,108.55	**6.50**	31.12.67	Fully Amortised	0
39	1,000,000.00	35,222.50	**6.50**	31.12.68	Dec.2014	10.5
40	2,000,000.00	70,453.80	**6.50**	30.06.70	Dec.2018	14.5
40	1,600,000.00	56,363.05	**6.50**	30.06.70	Dec.2019	15.5
40	2,000,000.00	70,453.80	**6.50**	30.06.70	Dec.2020	16.5
40	2,400,000.00	84,544.55	**6.50**	30.06.70	Dec.2021	17.5
40	2,000,000.00	148,850.70	**6.50**	31.12.70	Dec.2019	15.5
40	2,000,000.00	70,453.80	**6.50**	31.12.70	Dec.2020	16.5
40	2,000,000.00	70,453.80	**6.50**	31.12.70	Dec.2019	15.5
40	1,800,000.00	63,039.10	**6.50**	30.06.71	Dec.2020	16.5
40	8,733,047.55	311,220.90	**6.50**	30.06.71	Dec.2021	17.5
38	3,200,000.00	114,031.85	**6.50**	30.06.73	Dec.2020	16.5
40	1,600,000.00	55,409.50	**6.50**	30.06.71	Dec.2020	16.5
40	2,200,000.00	75,313.95	**6.50**	30.06.71	Dec.2020	16.5
40	9,192,195.50	323,812.55	**6.50**	31.12.71	Dec.2023	19.5
40	4,000,000.00	169,166.20	**6.50**	30.06.72	Dec.2022	18.5
40	4,975,007.05	176,230.85	**6.50**	30.06.72	Dec.2011	7.5
40	3,982,619.10	141,077.15	**6.50**	31.12.72	Dec.2011	7.5
20	500,000.00	100,032.60	**6.50**	31.12.72	Fully Amortised	0
10	200,000.00	13,755.75	**6.50**	30.06.73	Fully Amortised	0
20	400,000.00	18,011.15	**6.50**	30.06.74	Fully Amortised	0
20	1,900,000.00	85,553.10	**6.50**	30.06.73	Fully Amortised	0
40	4,660,000.00	582,534.80	**6.50**	30.06.78	Dec.2015	11.5
40	1,900,000.00	85,553.10	**6.50**	30.06.74	Fully Amortised	0
40	3,575,486.40	358,062.20	**6.50**	30.06.73	Fully Amortised	0
40	1,300,000.00	45,795.00	**6.50**	31.12.70	Dec.2015	11.5
40	15,675,085.10	582,533.80	**6.50**	30.06.76	Fully Amortised	0
39	12,534,707.85	640,399.90	**6.50**	30.06.77	Dec.2016	12.5
40	7,352,369.90	261,750.65	**6.50**	31.12.76	Dec.2015	11.5
40	4,613,464.90	165,234.50	**6.50**	31.12.78	Dec.2018	14.5
20	11,130,915.20	397,897.75	**6.50**	30.06.78	Dec.2017	13.5
20	1,158,754.60	615,150.35	**6.50**	30.06.80	Dec.2015	11.5
	208,632.25	79,229.50	**6.50**	30.06.80	Dec.2019	15.5
23	2,239,535.40	40,819.35	**6.50**	31.12.81	Fully Amortised	0
21	26,727,000.00	1,693,068.00	**11.25**	31.5.92	Dec. 2005	1.5
21	16,524,150.00	582,534.80	**6.50**	30.06.75	Dec. 2018	4.5
25	9,123,149.40	404,587.90	**6.50**	31.12.78	Fully Amortised	0

82	Dandora site & services-0/80	S/S	30.06.81
83	Dandora site & services-0/80	S/S	30.06.81
84	Dandora site & services-0/80	S/S	31.12.79
85	Dandora site & services-0/80	S/S	30.06.81
86	Dandora site & services-0/81	S/S	30.06.81
87	Dandora site & services	S/S	31.12.86
88	Dandora site & services-0/82	S/S	31.12.86
89	Dandora site & services-0/83	S/S	30.06.84
90	Dandora site & services-0/83	S/S	31.12.88
91	Dandora site & services-0/83	S/S	30.06.89
92	Dandora 1rst world urban prc	S/S	30.06.84
93	2nd World Bank Urban proj 8	S/S	31.12.80
94	2nd World Bank Urban proj 8	S/S	30.06.85
95	2nd World Bank Urban proj 8	S/S	30.06.84
96	2nd World Bank Urban proj 8	S/S	31.12.89
97	2nd World Bank Urban proj 8	S/S	30.06.89
98	2nd World Bank Urban proj 8	S/S	30.06.84
99	2nd World Bank Urban proj 8	S/S	30.06.91
100	2nd World Bank Urban proj 8	S/S	30.06.86
101	2nd World Bank Urban proj 8	S/S	30.06.92
102	2nd World Bank Urban proj 8	S/S	30.06.87
103	2nd World Bank Urban proj 9	S/S	31.12.92
104	2nd World Bank Urban proj 9	S/S	30.06.87
105	2nd World Bank Urban proj 9	S/S	30.06.92
106	2nd World Bank Urban proj 9	S/S	31.12.87
107	Interests on arrears		
	Totals		

SOURCE: C.C.N. ABSTRACT OF ACCOUNTS

25	10,540,060.30	542,382.85	**8.50**	30.06.81	Fully Amortised	0
25	11,425,151.10	587,928.90	**8.50**	30.06.81	Fully Amortised	0
	23,907,908.35	1,005,526.95	**6.50**	31.12.79	Fully Amortised	0
25	29,513,526.90	1,562,549.50	**8.50**	30.06.81	Jun.2006	2
25	12,961,053.00	527,907.75	**6.50**	30.06.81	Dec.2007	3.5
25	8,317,228.25	355,306.65	**6.50**	31.12.86	Fully Amortised	0
25	15,841,299.75	830,375.40	**8.50**	31.12 86	Jun.2006	2
25	3,095,937.00	126,098.15	**6.50**	30.06.84	Dec.2008	4.5
25	3,783,923.00	198,347.15	**8.50**	31.12.88	Jun.2008	4
25	2,083,784.00	109,228.60	**8.50**	30.06.89	Dec.2008	4.5
25	1,704,915.00	69,441.65	**6.50**	30.06.84	Dec.2008	4.5
25	16,120,641.05	668,207.85	**6.50**	31.12.80	Dec.2006	2.5
25	41,893,375.65	2,217,982.10	**8.50**	30.06.85	Dec.2004	0.5
25	5,530,291.00	225,249.85	**6.50**	30.06.84	Dec.2008	4.5
25	14,220,748.00	745,428.70	**8.50**	31.12.89	Jun.2009	5
25	5,266,031.00	276,036.85	**8.50**	30.06.89	Dec.2008	4.5
25	2,047,901.00	83,411.40	**6.50**	30.06.84	Dec.2008	4.5
25	99,781,039.10	5,230,322.50	**8.50**	30.06.91	Dec.2010	6.5
25	18,885,041.90	769,192.95	**6.50**	30.06.86	Dec.2010	6.5
25	49,860,855.50	2,613,625.70	**8.50**	30.06.92	Dec.2011	7.5
25	8,798,974.50	358,382.25	**6.50**	30.06.87	Dec.2011	7.5
25	46,970,835.15	2,452,700.20	**8.50**	31.12.92	Jun.2012	8
25	8,249,071.15	334,114.10	**6.50**	30.06.87	Jun.2012	8
25	9,921,200.00	520,053.30	**8.50**	30.06.92	Dec.2011	7.5
25	1,750,800.00	71,310.55	**6.50**	31.12.87	Dec.2012	8.5
	696,397,057.48	**34,154,031.78**				

18. The tenancy shall be determined at the end of any calendar month by either party giving to the other fifteen days previous notice in writing in that behalf provided that if and whenever any part of the rent is in arrear for seven days (whether formally demanded or not) or if and whenever there shall be a breach by the tenant of any of the foregoing conditions to tenancy the Council may re-enter upon the premises and thereupon the tenancy shall determine as if written notice to quit has been due, given and expired.
19. The Council may at the commencement of this Tenancy Agreement require the tenant to pay a deposit of Shs. ..1000/=...... and shall have the right to retain the use such deposit or any part thereof towards meeting the cost of any works carried out by the Council for which the tenant might become liable under this Tenancy Agreement, and where the expenses so involved shall exceed the said deposit the Council shall have the right to recover from the tenant.
20. If at any time during the subsistance of the tenancy the tenant shall become the owner or occupier of other residential premises this tenancy shall be determined but subject to provisions contained in paragraph 18 of this Agreement.
21. The tenant shall submit to the Council two driving licence size photographs to be affixed to the rent card and to the duplicate.

Delete where inapplicable

CITY COUNCIL OF NAIROBI

No. 13074

1000/=

HOUSING ESTATES RENT CARD

Name of Estate [redacted]

House/Flat/Room No. [redacted]

Name of Tenant [redacted]

Postal Address [redacted]

Date of commencement of Tenancy [redacted]

HOUSING OFFICER

APPENDIX IV: TENANT CARD

CONDITIONS OF TENANCY

1. The tenant shall pay the rent (Shs. 1000/=) in advance on or before the first day of every month at the City Treasurer's Offices.
2. The tenant shall be responsible to pay all water, conservancy, electricity and other charges imposed on the premises.
3. The tenant shall be keep the interior of the premises in a clean and tidy condition, and also the fixtures and fittings in good tenantable repair and condition.

The tenant shall be responsible for and shall make good in such manner as may required by the Council all damage caused or occasioned by the act, neglect or default of the tenant, his servants, invitees or licensees to the exterior of the premises including drains, water pipes, boundary fences and hedges belonging thereto.

4. The tenant shall permit the Council, its authorised officers, servants, agents and workmen at all reasonable times to enter upon the premises and examine its conditions and carry out any repairs or decorations necessary on the premises.
5. The Council may also serve upon the tenant a notice in writing specifying any repairs or decorations which in the opinion of the Council are necessary to be carried on the premises and for which the tenant is liable under the above clause 3.
6. The tenant may either carry out such repairs and decoration (for which he has been served a notice under clause 5 above) himself or permit the Council its servants, agents workmen to enter upon the premises and execute such repairs and decoration on his behalf, and the cost thereof shall be charged to the tenant.
7. The tenant shall not without the previous written consent of the Council make any alteration or addition to the premises and shall not remove any partitions, doors or cupboards or other Council's fixtures of fittings.
8. The tenant shall not spoil or damage the floor, walls or timber of the premises and the tenant shall not at any time make use of charcoal on the premises.
9. The tenant shall keep the garden of the premises in a neat and tidy condition and shall not cut or remove any trees planted in the garden or near the Council's hedges or drains.
10. The tenant shall not do, permit or suffer to be done in, upon or about the premises anything which in the opinion of the Council may be or become a nuisance or annoyance to the Council or to the occupiers of neighbouring premises or to the public generally.
11. The tenant shall not keep any poultry or animals on the premises (except domestic pets) nor shall the tenant plant any crop in his garden or compound.
12. The tenant shall use the premises as a private residence only and for no other purpose whatsoever. No intoxicating liquor may be brewed in or upon the premises or sold on or from the premises.
13. the tenant shall not assign, underlet or part with the possessions of the premises or any part thereof without the previous written consent of the Counicl.
14. At the determination of the tenancy the tenant shall deliver up the premises with all Council's fixtures and fittings therein in good and tenantable repair and condition and with all locks, keys and fastenings complete.
15. The Council shall deliver the premises to the tenant including fixtures and fittings in good and tenantable condition. If the premises are not then found in a clean and tidy state the Council shall redecorate the premises at its own expenses, unless otherwise agreed by the parties.
16. The Council shall (if possible) carry out an inspection of the premises before the tenant moves in.

    The tenant shall within thirty days of taking possession of the premises notify in writting to the Housing Officer of the City Council of any repairs or decorations to be carried on the premises. In the absence of such notification it shall be presumed that the tenant received the premises in good and tenantable condition.
17. The tenant shall keep the outbuildings and the sanitary, washing and cooking facilities provided for the tenants servants in a clean and sanitary condition and shall ensure that at all times no person other than the servant, or his family, resides in or occupies the outbuildings or any part thereof.

CENTRAL HOUSING BOARD OF KENYA

THIS AGREEMENT is made the thirteenth day of July

One thousand nine hundred and sixty seven

BETWEEN the Central Housing Board (hereinafter referred to as the Board) of the one part AND CITY COUNCIL OF NAIROBI.

(hereinafter referred to as the Local Authority) of the other part.

WHEREAS the Local Authority has, in accordance with the provisions of the Local Government Regulations 1963 respecting the raising of loans by it, borrowed from the Board, and the Board in exercise of the powers conferred upon it by the Housing Ordinance 1953 (hereinafter referred to as the Ordinance) has lent to the Local Authority, subject to and in accordance with the provisions of the Ordinance and the terms and conditions hereinafter set forth, the sum of POUNDS FIVE HUNDRED THOUSAND ONLY (£500,000/=).

(hereinafter referred to as the loan);

AND WHEREAS under subsection (1) of section 13 of the Ordinance the Local Authority is required to repay such loan as therein provided;

AND WHEREAS under subsection (2) of section 7 of the Ordinance every loan made by the Board shall bear interest at such rate as the Board may prescribe;

NOW, THEREFORE, THIS AGREEMENT WITNESSETH AND IT IS HEREBY AGREED AS FOLLOWS: —

1. The loan shall be drawn by the Local Authority and advanced by the Board in the instalments and on the dates prescribed and shown as applicable thereto in the Schedule to this Agreement.

2. (i) The loan shall bear interest at the rate of $6\frac{1}{2}$ per centum per annum on every instalment of the loan as from the eighth day after the drawing thereof, or, if the Local Authority in the case of any instalment fails to draw the same on the date prescribed and shown as applicable thereto in the Schedule to this Agreement, then as from the eighth day after the date advised at the time of the drawing of the instalment.

Provided always, however, that the Board may in accordance with subsection (2) of section 7 of the Ordinance, and by serving upon the Local Authority, at least seven days before the date prescribed for the drawing of any instalment of the loan and shown as applicable thereto in the Schedule to this Agreement, a written notice of its intention so to do, increase or reduce the rate of interest hereinbefore specified in respect of such instalment and such other subsequent instalments of the loan as may be specified in such notice.

(ii) As from the first day of January, 196 8 , interest at the aforesaid rate on instalments drawn as aforesaid shall be paid in the manner and at the times set forth in Clause 4 of this Agreement. Interest at the aforesaid rate accruing in respect of such instalments for periods up to the said first day of January, 196 8 , shall be paid by the Local Authority to the Board on the 31st day of December, in each and every year.

3. Upon any instalment of the loan being drawn by the Local Authority and advanced by the Board under this Agreement, the Board shall in writing notify the Local Authority of the rate (determined in accordance with the provisions of clause 2(ii) of the Agreement) at which interest is reserved and made payable on such instalment; and the Local Authority shall in writing acknowledge receipt of such instalment

4. ~~(i) For the purpose of subsection (1) of section 13 of the Ordinance~~ the Board has specified that the loan shall be repaid together with interest (calculated as to each instalment of the loan in the manner prescribed by clause 2 of the Agreement) over the period of years commencing on the day of 196 , by equated annual payments of principal and interest combined to be made on the day of in each year, the first payment to be made on the day of 196 , such annual payments to be calculated in accordance with the appropriate tables in use by the Government at the ~~date of this Agreement.~~

(ii) Should the Local Authority fail to make (whether in whole or in part) any annual payment in the manner and at the time required by paragraph (i) of this clause, such annual payment or such part thereof as shall remain unpaid shall bear interest at such rate per centum per annum as shall from time to time be specified by the Board from the date upon which such annual payment fell due until the date of the actual payment thereof.

5. The Local Authority shall apply all moneys lent to it by the Board as hereinbefore recited in or towards the following works or project only, namely:— Redevelopment of Pumwani Housing Estate

C.H.B. LOAN NO. 314 A & 314 B

6. Clause 4 (i) above is amended and substituted by Clause 4 (i) (a) below.

IN WITNESS whereof the Board and the Local Authority have hereunto set their respective common seals the day and year first above written.

SCHEDULE

(The instalments and dates of drawing applicable thereto referred to in clause 1 above written.)

Amount of Instalment	*Prescribed date for drawing*

The first instalment of £250,000/= (Pounds Two hundred & fifty thousand) to be drawn during the year ending 30th June, 1967.
The second instalment of £250,000/= (Pounds Two hundred & fifty thousand) to be drawn during the year ending 30th June, 1968.

4.(i)(a) For the purpose of subsection (i) of section 13 of the Ordinance the Board has specified that the loan shall be repaid together with interest (calculated as to each instalment of the loan in the manner prescribed by clause 2 of the Agreement) over the period of FORTY years in respect of the loan applied to Rental Houses and TWENTY years in respect of the loan applied to Tenant Purchase Houses commencing on the FIRST day of JANUARY 1968 by equated annual payments of principal and interest combined to be made on the THIRTY FIRST day of DECEM-

THE COMMON SEAL of ~~the~~)
)
THE CITY COUNCIL OF NAIROBI
....)
....)
)
was hereunto affixed in the)
)
presence of:)
)
DEPUTY MAYOR........................)
)
........TOWN CLERK................)

THE COMMON SEAL of the)
)
Central Housing Board was)
)
hereunto affixed in the)
)
presence of:)
)
....)
Minister for ~~H[illegible] &~~ Housing)
)
....)
Chairman)
Central Housing Board.)