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# **Public Rental Housing as Housing Delivery Strategy in Addis Ababa: The Case of Apartments Constructed by Agency for Government Houses (AGH)**

**BY**

**YEHANEW HAILU HABTEWOLD**

**Advisor:** Yonas Alemayehu Soressa

JUNE 2016

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# **Public Rental Housing as Housing Delivery Strategy in Addis Ababa**

The Case of Apartments Constructed by Agency for Government Houses (AGH)

## **MASTER'S THESIS**

This thesis is submitted to the Ethiopian Institute of Architecture, Building Construction and City Development (EiABC) and to School of Graduate Studies of Addis Ababa University for partial fulfilment of the requirements of Master of Science in Housing and Sustainable Development.

**BY**

**YEHANEW HAILU HABTEWOLD**

**ADVISOR**

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**JUNE 2016**

**ADDIS ABABA**

## DECLARATION

I declare that, this thesis prepared for the partial fulfilment of the requirements for the degree of **MASTERS OF SCIENCE IN HOUSING AND SUSTAINABLE DEVELOPMENT** entitled “*Public Rental Housing as Housing Delivery Strategy in Addis Ababa, The Case of Apartments Constructed by Agency for Government Houses (AGH)*” is my original research work prepared independently by my own effort with the close advice and guidance of my adviser. I also declare that this thesis has not been presented in any university and all sources that I have used or quoted have been indicated and acknowledged by means of complete references.

**Yehanew Hailu Habtewold**

Signature \_\_\_\_\_

Date \_\_\_\_\_

This thesis is submitted to the Ethiopian Institute of Architecture, Building Construction and City Development (EiABC) and to School of Graduate Studies of Addis Ababa University in partial fulfilment of the requirements for the degree of Master of Science in Housing and Sustainable Development.

Title of thesis: **Public Rental Housing as Housing Delivery strategy in Addis Ababa:  
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## **Abstract**

*Rental housing takes the biggest share in Addis Ababa's housing stock; above 50 percent. 37% is the share of the private rental sector; which is characterised by continuous rise in rent price and is becoming unaffordable for many poor households. Contrary to this is the public rental housing sector (PRH); it provides the most affordable housing units so far. With unrevised rent price and contract the sector has become permanent affordable shelter for many. Government policy that promotes home ownership has frozen the production of new PRH units.*

*The study examines existing PRH stock in Addis Ababa in search of potentials and lessons for further developing the sector in the future. It focuses on apartments constructed by Agency for Government Houses (AGH); and studies development process, target group and management. Based on findings the study also proposes a strategy for developing the sector anew.*

*For the purpose of in-depth understanding of the sector a Case Study method is used; cases were selected based on availability of data and rational of the study. Purposeful random sampling was used for selecting interviewed tenants. Data are collected through interview, questionnaire and reviewing archival materials; tenant satisfaction survey was used to shed light on the management performance of AGH. Additional data were also collected from secondary sources as part of contextual and background study. Data on development process were analysed in comparison with current housing development trend.*

*The study came up with three basic findings; first, it was the decisions made at different times by the central government that had led to the construction of the apartments rather than pre-planned consistent strategy. The central government (Ministry of Urban Development and Construction) played the major role in the development process. All involved actors were public institutions; including those who participated in the design and construction. AGH financed the construction of the apartments with money collected from rent; which makes AGH financially self-sufficient back then. Second, Current tenants are mainly high and middle income households, opposed to low income households which are considered to be the right target group of such PRH programs . The units are also rented for different purposes; for housing, office and shop. Third, the management is found to be satisfactory in some aspects and unsatisfactory in others; with big problem on repair and maintenance. The study also found potentials for further developing the sector, such as huge underdeveloped land in the city centre; occupied by low-rise and poor quality PRH units and rent money collected from these units. Current institutional structure of AGH and government housing policy and strategy are challenges for further developing the sector. Based on the findings the study provides detail strategy proposal. Program design, land acquisition, financing mechanisms, target group and management are discussed in detail in the strategy.*

**Key words:** Public rental housing, tenant, Agency for Government Houses, housing management, tenants' satisfaction, development process, Addis Ababa

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## List of Acronyms

**AA-** Addis Ababa

**AAU** – Addis Ababa University

**AARH** - Agency for Administration of Rental Houses

**AGH** – Agency for Government Houses

**CBE** – Commercial Bank of Ethiopia

**CGAA** – City Government Addis Ababa

**CSA** - Central Statistics Agency

**Derg** – Former Military Government of Ethiopia

**EC** – Ethiopian calendar

**EiABC** - Ethiopian Institute of Architecture Building Construction and City Development

**EPRDF** – Ethiopian People’s Revolutionary Democratic Front

**ETB** – Ethiopian Birr (currency)

**FGD-** Focus Group Discussion

**FNG** – Federal Negarit Gazeta of EPRDF

**HPR** – House of People’s Representatives

**IHDP** – Integrated Housing Development Programme

**MUHC** – Ministry of Urban Development Housing and Construction

**MWUD** – Ministry of works and urban development

**PRH-** Public Rental Housing

**USD** – United States Dollar

## General Notes

- Unless stated; sources for pictures, tables and figures are by the author
- The exchange rate of 1 USD is about 21 ETB.

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## Chapter One

### BACKGROUND OF THE STUDY

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#### 1.1 Motivation and Relevance

A large proportion of residents in cities and towns of developed as well as developing countries are tenants (UN-HABITAT, 2003). Despite this, the number of governments actually trying to support rental housing development is rather small. In the twentieth century, public housing was a common response to urbanization and the urban housing problem in many countries; developed and developing (Chen et al, 2014). Because of change in political and economics ideology in the west and lack of finance in developing countries; public rental housing did not continue as a housing solution for many of these countries and remained a neglected area of national housing policy (UN-HABITAT, 2003). In contrast; with pressure from urbanization and economic growth recently there is remarkable revival in PRH in the Asian and other emerging urban economies; and governments in Asia have concluded PRH have a vital role to play in the urbanization process (Chen et al, 2014).

In Ethiopia generally and Addis Ababa specifically the emergence of PRH is accidental; associated with the coming to power of a socialist regime. Where the socialist government decides to nationalize extra land and houses owned by the private sector and changes them to state ownership (Ashenafi, 2001). Following the nationalization two institutions were established to administrate and manages the nationalized houses; urban dwellers association (*Kebele*) and AARH (now AGH). Apart from management of the units these institutions were given the power to construct additional rental housing units. Where the kebles did not construct any rental units and AGH achieved the construction of 6656 villas and 66 apartments almost 25 years ago (AGH, 2015 & Ashenafi, 2001). Currently both are out of the construction industry even though there is still big housing shortage in the city.

According to the Addis Ababa Housing Development Project office; there was a housing backlog of about 250,000 housing units in Addis Ababa alone (AAHDP, 2004). The problem is exasperated by the increasing rate of new household formations and migration. In order to alleviate the housing problem in the city by constructing condominium houses, the Addis

Ababa city government has designed a housing project in which redevelopment of the dilapidated inner city is given emphasis. The Housing Development Project Office and the Housing Agency were established to replace one-third of the inner-city dilapidated houses per year and transfer to residents at a subsidized rate. The main target groups are tenants residing in *Kebele* houses, which make up almost 90% of the inner city housing units (EEA, 2006/07). The Office intends to build a total of 150, 000 houses which is 50, 000 condominium housing units per year starting from 2004/05, the performance in the same year was not encouraging as only 12, 000 housing units (8 % of the plan) were built and transferred to urban dwellers (ibid, 2006/07).

According to the Housing Development Project Office, the potential clients of the housing units were identified to be those with monthly income of over 750 ETB. This group constitute about 11 % of the total inhabitants of the city (EEA, 2006/07). The housing problems of the rest of the inhabitants are assumed to be addressed through the rental options mainly by the private sector (ibid, 2006/07). The private rental sector in Addis Ababa is driven by free market and rent price is increasing in fast rate and the sector fails to deliver housing with affordable price let alone adequate. The sector is forgotten by government and professionals in the field; it is only recently that the government announce rent control mechanism which is still not in effect. The choice of public rental sector as a research subject was thus influenced by these discussions. The fact that the sector is not well developed In Ethiopia was also additional motivation to choose PRH as subject for study.

A new housing policy and strategy<sup>1</sup>; recently promoted by the government named as 10/90, 20/80, 40/60 and cooperative developments, mainly focused on the capital city. The program achievement depends on the saving capacity of the applicants. The city's government has achieved the registration of more than 800,000 inhabitants only for the two programs; 20/80 and 40/60. The registration criteria needs for an applicant to be age of 18 and above, do not own any kinds of housing units and be able to deposit the monthly saving. These are people who are mainly young and live with their parents or rent someone's house or their only option/preference is renting, these are people who are expected to pay for current rent and future saving. Since the programs achievement depends on the saving capacity of these applicants; it is highly unlikely to the program to materialize when people have to pay in two

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<sup>1</sup> Housing policy document prepared by ministry of urban development and construction in 2012

fronts. These was also another motivation to take on this subject of study; to be more specific the fact that myself being one of the applicants for the program and seen the difficulty of paying in two fronts have motivated me to work on PRH scheme.

According to population and housing census conducted by CSA<sup>2</sup> in 2007, and forecast for 2011; 58.8% of housing in Addis Ababa is delivered by the rental sector, 37% is the share of the private sector and the remaining by the public rental sector mainly by the *Kebele* (CSA, 2007). Though the figures tell a lot about the importance of the rental sector in the housing market of Addis Ababa; the attention given is relatively small. Previous researches conducted (in AAU generally and EiABC specifically) on the sector mainly focuses on the public rental sector; it is difficult to find one done on the private sector. Even those researches on the public rental sector are done on *Kebele* houses. This research which takes up public rental sector as a subject of study focuses on another of the two PRH providing agencies; Agency for Government Houses (AGH)<sup>3</sup>. This will make the research an additional resource on the subject matter. Another relevance of this research can be constructed from the approach chosen which is to see the sector as another housing delivery strategy. Previous researches (conducted in EiABC) on public rental housing mainly focus on the physical and spatial dimensions of the houses; spatial transformation, physical conditions and issues related to tenancy were major issues discussed.

## 1.2 The Research Approach

Taking public rental housing as study topic is not new thing in housing studies; there are also plenty of researches conducted on the subject at EiABC/Addis Ababa University. Public rental housing in Ethiopia and specifically in Addis Ababa represents a sector that once was major housing delivery mechanism (during the socialist government, 1975-1991) and now (after the change in government) left out of its role, but physically remind untouched. The approach chosen here is to search ways on how to put back the sector to its previous role, and considers the sector to be one way of providing housing for the city of Addis Ababa in the future. For these reasons the study focuses on two major points:

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<sup>2</sup> The Federal Democratic Republic of Ethiopia; Central Statistical Agency (CSA)

<sup>3</sup> The Federal Democratic Republic of Ethiopia; Agency for Government Houses (AGH)

---

- Study and understand how PRH units were developed in the past and picks lessons for the future. In doing so, the study examines the development process of apartments constructed and managed by AGH from inception through construction to post-occupation, evaluate management of the units and identify which social group is the beneficiaries (tenants) of the units. Lessons were also drawn from international experiences elsewhere.
- Based on findings on the above points and international experiences proposes possible strategy on how to develop the sector in the future.

## **1.3 Scope of the Study**

### **1.3.1 Spatial scope**

Spatially the research focuses on those apartments constructed and managed by AGH in Addis Ababa. Data collection is limited to two apartment blocks located along Bole Road selected as a case study area; ‘apartment 16’ and ‘7 apartments’. Data collected from the two case studies are different; this is because the case studies are chosen to address different issues. Data regarding development process are collected from ‘apartment 16’ and data about tenants and their satisfaction towards the management are collected from ‘7 apartment’ residents and environment.

### **1.3.2 Thematic scope**

The scope of the study is limited to the investigation of AGH’s rental apartments in Addis Ababa in terms of development process, management of units and tenants’ socio-economic status. Reviewing of supportive literatures is also part of the paper on ways and schemes of supplying rental housing to citizens in urban areas by governments. Other PRH Issues like rent arrears, administration rules and rent policy are not focuses of the research; they will be discussed in short only for the sake of discussions and recommendations. The study is limited to answering the research questions posed.

The empirical investigation is confined to the apartments constructed by AGH, by taking selected cases studies. There are apartments nationalized and transferred to AGH while in construction; which the agency later finishes the construction with its own money. These apartments are not considered in this research as apartments constructed by AGH.

## 1.4 Research Questions

The research questions are based on purpose of the study and theoretical rationales. The purpose of the study is to propose a working strategy for developing PRH for the city of Addis Ababa through the study of existing PRH apartments. For this reason the study focuses on three major aspects of PRH; development process, beneficiaries and management; this is because theoretically these are issues that makes the provision of PRH difficult. Government in many countries found it expensive to invest their limited resources on such public housing. Even those countries that found the resources to build failed to deliver the units to those really in need. Through political control, corruption and nepotism PRH in many countries “changed hands and ended up with income groups higher than the target groups”. Unlike other housing programs the work with PRH continues after occupation; since the units remains property of the state the management continues; which many governments found difficult. Based on these theoretical rational three main questions are posed:

- 1. What was the development process of apartment constructed by AGH?**
  - a. Who were the actors involved in the development process?
  - b. What was their respective role?
  - c. What was the financing mechanism?
  - d. What was the process of land acquisition?
- 2. Who are the tenants?**
  - a. Who are the designated target group according to the agency policy?
  - b. What is the socio-economic profile of tenants currently occupying the units?
  - c. Are the current tenants eligible for Public Rental Housing?
- 3. What is the management performance of the institution?**
  - a. What is the level of tenant satisfaction towards the management?
  - b. What are challenges faced by the management?

In addition to the above questions the study has also additional interest. Beyond understanding the context through the theoretical issues; the study seeks to propose a workable strategy for developing PRH in Addis Ababa in the future. Hence based on this purpose of the study a fourth normative question is posed:

- 4. What is the way forward?**
  - a. How should the sector be developed in the future?

## **1.5 Organization of the Research**

The research is organized in to seven chapters; chapter one introduces the whole research. Motivation and relevance, the perspective from which the research is approached, research questions, scope and limitations are discussed in this chapter. Chapter two illustrates the general research methodology and specific methods used for the research. Validity and reliability of the research method are also parts of the chapter. Chapter three is literature review; it discusses the research topic in different context, defines terminologies, prompts the research questions and presents global experiences for the research topics. Chapter four presents contextual background to rental housing in Ethiopia generally and Addis Ababa specifically. Chapter five presents backgrounds to the case, general description and maps of the case areas; data collected from the case areas are also presented in this chapter. Chapter six discusses research findings and implications; based on the data collected and analysed different findings are presented. Based on findings on the previous chapter analysis of the context is also presented on this chapter. The final chapter; chapter seven ends the research paper by giving answer to the normative question through strategy proposal.

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## Chapter Two

# RESEARCH METHODOLOGY

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### 2.1 Research Design

Research is a process of gaining a better understanding of a subject under investigation. Undertaking a research demands to come up with research design and strategy to produce data and technique to collect, analyse and interpret data, which is methodology. In this chapter I will discuss the methodology chosen for this thesis with rationality behind it. In order to gain a deeper understanding of the rental apartments of AGH a case study method has been chosen. The collection of data in this thesis comprised primary data from interviews, secondary data from literature such as previous work of other researches within the research field and analysis of archival documents of the agency. This chapter also presents the issue of validity and reliability in case study research.

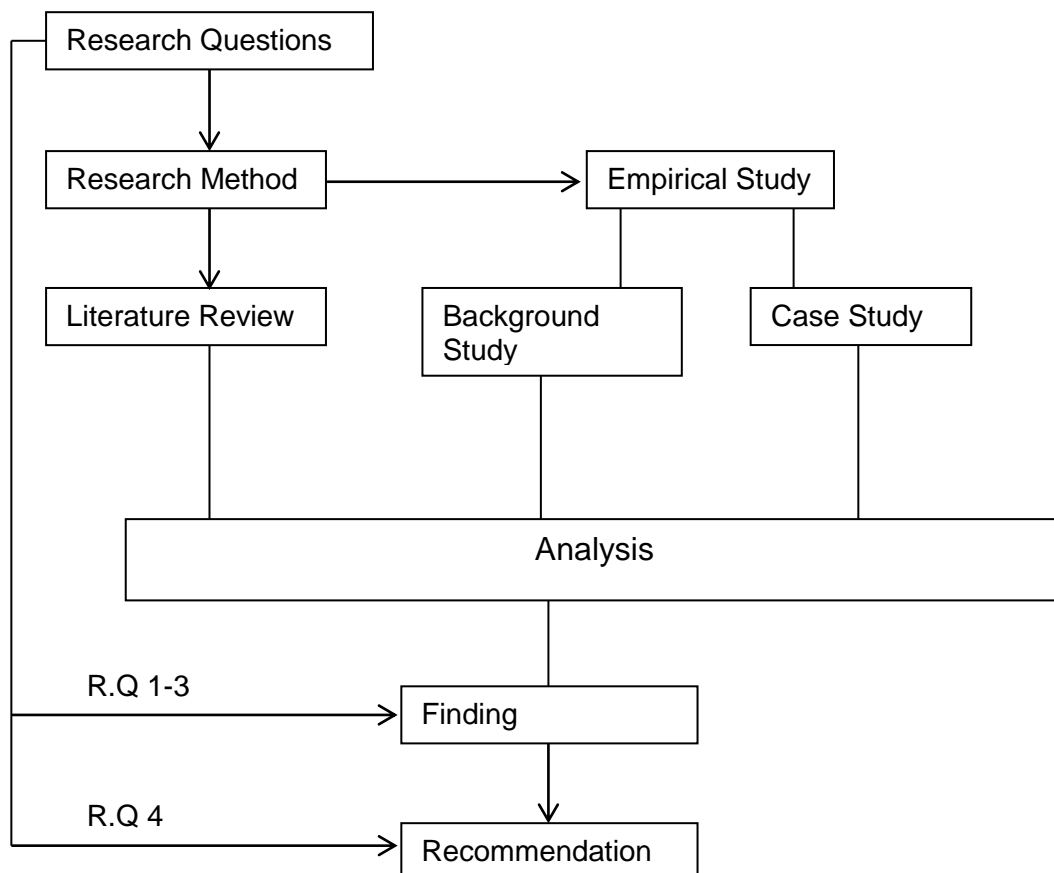


Fig 2.1 Research design

## 2.2 Choice of Methods

Based on the specific objectives of research, research can be classified as descriptive, explanatory, or exploratory research (AAU, 2009). As this research is exploratory type, the researcher chooses to use case study method. Exploratory research is conducted when there are no earlier studies to which reference can be made for information (AAU, 2009). It focuses on gaining background information and helps to better understand and clarify a problem. Yin in his book suggests examining three things about the research to choose the appropriate research strategy; the type of research question posed, the extent of control an investigator has over actual behavioural events, and the degree of focus on contemporary as opposed to historical events (Yin, 2003). Case study is a preferred strategy when how or why questions are being posed, when the investigator has little control over events, and when the focus is contemporary phenomenon within some real-life context (ibid).

Based on the first criteria the research questions posed are what and who type of questions; for these types of questions Yin suggests to use archival and/or survey strategies. He also has mentioned that the clarification does not imply that the boundaries between the strategies or the occasions when each is to be used are not always sharp (Yin, 2003). This perhaps is one occasion where the boundary drawn by Yin based on the types of questions posed is not a clear one.

The first type of questions posed are what types of questions ‘what was the development process?’ and ‘what is the management performance?’ Even though they are what types of question their goal is to develop proposition for further inquiry. Yin in his book case study research design and method sees such types of questions as a rationale for conducting an exploratory study (ibid). When research is an exploratory study all kinds of research strategies can be used including case study; furthermore; background study of the case reveals that the agency have used almost the same housing development process for all apartments it constructed. Hence specific characters can be drawn for the apartments from specific case studies. The second what type of question is what is the management performance of the agency; the method used is to measure the performance through tenants’ satisfaction survey and interview with the management body. So the sub-questions posed here are; ‘are tenants satisfied with the management and service delivered by the

management body?’ here too conclusions can be drawn by studying specific cases since it is the agency itself that manages all apartments under study.

The third research question posed is ‘who are the tenants?’ again pre-study conducted have shown that the agency both during the previous and the current government uses a criteria developed by the agency itself to select its tenants; this means that the researcher can draw conclusion by studying specific case studies. These and the fact that the researcher has no control over actual behavioural events and the focus of the research being on contemporary events; case study strategy is used for this research paper.

Case study is one among several ways of doing research, such as experiments, surveys histories and analysis of archival information (ibid). Yin explained the case study methodology in two different ways. The first technical definition is from an empirical point of view. Case study research is an empirical inquiry, which can be constructed from single or multiple cases on the research area. “It investigates a contemporary phenomenon within a real-life context, especially when boundaries between phenomenon and its context are not evident” (Yin et al, 2003).

The second technical definition presents a case study inquiry, which comprises data collection and analysis strategies (Yin, 2003). Case study inquiry copes with the technically distinctive situation in which there will be many more variables of interest than data points and as one result. It relies on multiple sources of evidence, with data needing to converge in a triangulating fashion and another result and benefits from the prior development of theoretical propositions to guide data collection and analysis.

Case study research is a type of research which combines all the other research strategies alone, as such covering the logic of design, data collection techniques, specific approaches to data analysis (ibid).

## **2.3 Selection of Cases**

The selection of apartments constructed by AGH as a general case for the study is framed based on the purpose of the study. Since the purpose of the research is to study PRH as another alternative strategy of housing delivery for Addis Ababa in the future; studying the

nationalized PRH units has no or little significance for later recommendations. To be more specific the study of development process; needs a housing program developed for specific purpose and target; which is not the case in nationalized PRH units of *Kebele* and AGH.

### 2.3.1 Sampling technique

Initially all 16 apartment projects constructed by the agency were considered as a possible candidates for investigation. Later, an investigation of all possible cases has led me to understand; some apartments are fully occupied by tenants with same background; like the ‘3 Apartments’ in bole road which are occupied by parliament members or like London Cafe Apartments by Addis Ababa University teachers and CMC Apartments which are rented out for people who can pay in USD. So one criteria of choosing case study areas was the diversity of tenants’ background.

There are many reasons to choosing single case-studies; one is the representativeness of the case or the case being typical (Yin, 2003). This is the reason behind choosing single case study area for this research. The case chosen represents the general apartments constructed and administrated by the agency. Based on the above constructed criterion; seven apartment blocks acted as one neighborhood (7 Apartments<sup>4</sup>) are selected as a case study area to study tenants’ satisfaction and tenants’ socio-economic profile.

For the study of development process of the apartments another case area is chosen (Apartment 16<sup>5</sup>); this is because the development process of many of the apartments is not properly documented for easy reference. This is mainly associated with the time the apartments were constructed; many of them were constructed more than 25 years ago. The apartment chosen as a case here is constructed relatively recent; because of this the agency has documents available in its archive and there are employees of the agency who were involved in the development of the apartments. These two reasons have made ‘Apartment 16’ an ideal case area for this study.

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<sup>4</sup> Name given to the apartments by the agency

<sup>5</sup> Name given to the apartments by the agency

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To sum up; criteria developed by the researcher to choose the case areas are:

- The diversity of tenants background and
- Availability of data for development process

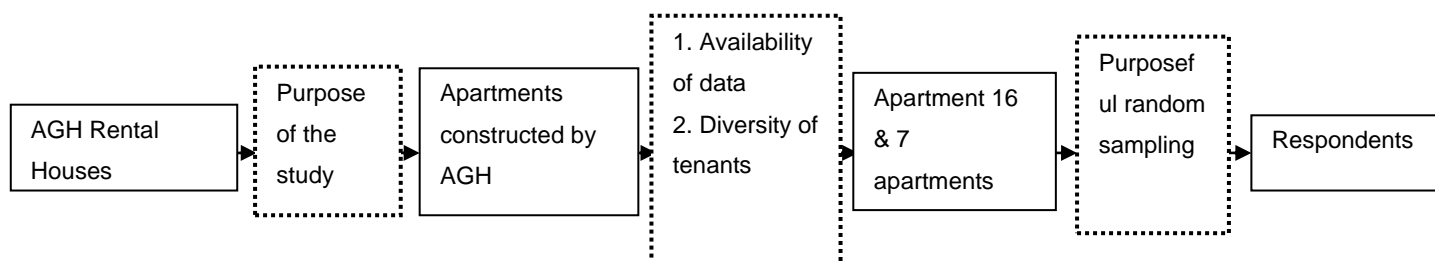


Fig. 2.2 Selection process of cases

## 2.4 Purpose of Data Collection

The purpose of data collected was to understand the issues of the study which are highlighted below.

### 2.4.1 Development of rental housing sector in Addis Ababa

The origin of both the private rental real estate and the public rental housing in Addis Ababa in respect to the different governmental period starting from the original development of the city. The origin, development and participation of the institution under study (AGH). Current rental sectors in the city and actors involved.

### 2.4.2 Development process of AGH apartments

The development process of apartments constructed by AGH; from project initiation to occupation; financing mechanism, land acquisition and occupation are data collected.

### 2.4.3 Tenants socio-economic profile

The tenants of the apartments based on their income, position in the society, future plan etc.; to understand who the beneficiary are as a group.

### 2.4.4 Management performance

Management performance and problems of the agency (AGH) based on tenants satisfaction survey.

## **2.5 Type of Data**

### **2.5.1 Primary data**

Primary information concerning tenant's income and family structure was obtained from questionnaire distributed. Information's regarding tenants' satisfaction level was also obtained from questionnaire distributed to individual tenants. Interview was also conducted with responsible employees of the agency regarding, development process and management.

Maps both from the agency and some other sources, photographs from the field observations and focus group discussions are also primary data collected.

### **2.5.2 Secondary data**

Secondary information was gathered from government departments. The information in form of policy documents and other official documents on government policy regarding public rental housings were gathered from the ministry of construction urban development and housing. The Central Statistical Office issued survey reports on housing, population and poverty. The document collected contains information about the condition of housings, their number and government national housing polices. The secondary information also includes documents by the agency on the development process of the apartment chosen for study. Tenants list and the waiting list are also secondary data collected from AGH.

## **2.6 Sources of Data**

### **2.6.1 Primary data sources**

#### ***Individual dwellers***

Selected individual dwellers have participated in filling the questionnaires prepared; in addition to the questionnaires some have participated in focus group discussion.

*Selection of informants:* 25% of all tenant households of case area were selected randomly based on floor of occupation on the apartments. Out of the total 112 households 30 has been approached as informants. One tenant from every floor of each of the 7 apartments was selected.

### ***Selected employees of AGH***

Selected employees of the agency were also approached in search of important data and information. The major selection criteria were their current position in the agency especially those employees involved in housing management; and their Involvement during the development of the selected case area for the study of development process.

### ***The physical environments under study***

The physical environments of the case areas were also source of data. Most of the physical components such as: condition of the houses and environment; the type and conditions of infrastructure, utilities, common spaces and social and service facilities were sources of data to study quality of services delivered by the management body.

## **2.6.2 Secondary data sources**

### ***AGHs' archive***

AGHs' archive has been an important data source throughout the whole process; documents were collected from the agency different departments. The different departments of AGH have been visited by the researcher many times starting from the first weeks of the research inception. Some other references were also found in the agency library which is one department established for its employees.

## **2.7 Data Collection Techniques**

In this research the data collection technique used are questionnaire, archival study, semi structured interview, field observation and photography

### **2.7.1 Primary data**

#### ***Questionnaire***

Two questionnaires were developed to collect data about the tenants and to measure their satisfaction level towards the management and services provided by the management body. To identify tenants the questionnaire developed was constructed based on the different character of tenants found from literature. The questionnaire involves questions like the tenants income, their migration status, their position in the society and their future plan regarding housing.

The second type of questionnaire was developed to measure tenants' satisfaction; it is the product of a combination between past researches from various countries and later reconstructed to achieve the researcher's aims. Questions like tenants' satisfaction regarding rent price, housing management and maintains were part of the questionnaire.

Though both questionnaires were prepared in English they were later translated and presented for the respondents in the local language, Amharic.

### ***Focus group discussion***

Corruption, favoritism and the issues of third party tenants and other issues on management were also investigated through a focus group discussion conducted with tenants of selected case areas.

### ***Direct observation***

Condition of buildings, quality of the neighborhood and services were recorded on site. The observation was conducted parallel with the administration of the questionnaires.

### ***Semi structured Interview***

Two semi-structured interviews were conducted with employees of the agency; employees engaged in management and administration of the case area were the first ones; their view towards their performance in management and administration challenges and their recommendations were questions raised during the interviews.

The second interview was conducted with employees that were involved in the development of the apartments; their knowledge regarding the development process of the apartments like financing, land acquisition and occupations were part of the interview.

### ***Photographs***

Photographs all taken by the author; were used to record conditions of buildings and their component, neighborhood conditions and quality of the environment.

## **2.7.2 Secondary data**

### ***Documents***

Various documents were referred during the whole process; government policies, tenants' waiting list, list of tenants, historical document of the agency, newspapers, articles, maps and Google images were collected. Map produced by the agency showing all houses and land of the agency was used to measure areas.

## **2.8 Data Analysis Technique**

Data collected from the field were later analyzed both qualitatively and quantitatively. Qualitative data were analyzed both during data collection and after but Most of the major systematic reflections and analyses were done after the completion of the fieldwork. Qualitative data collected for the study of development process were analyzed in comparison with current public housing development trends; to draw implications. Quantitative data for measuring management performance was later analyzed manually.

Generally the data analysis process for the research is sorting out the data from the field work in relation to the key issues; so that it yields implications for further recommendation. In addition to the analysis of interviews and questionnaires; maps, photographs, aerial photos and secondary written documents were interpreted in relation to the key issues of the research questions and were incorporated as part of the case reports. GIS have been used in analyzing maps found from AGH.

## **2.9 Validity and Reliability**

Validity and reliability in research determine the overall quality of the research; four tests are commonly used for the purpose applicable for any empirical social research; construct validity, internal and external validity, and reliability are tests used in different phases of the research (Yin, 2003). The quality measures for this research are adopted from these methodologies. These tests applied in this research thoroughly in data collection, and analysis to maximize the quality level, with the exclusion of internal validity. Testing internal validity is not applicable in case studies rather it is useful in undertaking quantitative surveys (ibid).

### **2.9.1 Construct validity**

Construct validity is an important test in data collection and analysis. According to Yin, 2003, construct validity is also problematic in case study due to the fact that people who have been critical of case studies often point to the fact that a case study investigator fails to develop a sufficiently operational set of measure and that subjective judgments are used to collect the data (Yin, 2003). In this research the data are collected using operational questionnaires that have been developed and used by other researchers and proven to be effective. For instance

- The performance of the management body is measured through ‘tenant satisfaction measure’ a standardized method used by many researchers and institutions for the same purpose; and has proven to be effective.
- The character of tenants is studied using questionnaires constructed from literature review; previous study of tenants character by different researchers and institutions.

However, three tactics are commonly applied to increase construct validity (Yin, 2003). The first is the use of multiple sources of evidence in a manner encouraging convergent line of enquiry. During data collection the researcher gathered data from multiple sources to find out information about similar concerns. For instance;

- The performance of the management body in managing and delivering services is studied using tenants, interview with management staffs of the agency and report by the agency.
- To identify who the tenants are the researcher has used the tenants and the agency lists of tenants and interview with the management staffs.
- The development process of the apartments was studied by referring to documents and interview with employees of the agency.

### **2.9.2 External validity**

The most common critics in case studies are on drawing generalization. It had been argued that generalizing from single cases could result mistakes in many researches (Yin, 2003). The common argument establishes its basis on the analogy between samples and the universe, which could be applicable for survey researches. Survey research relies on statistical generalizations, whereas case study on analytical generalizations (ibid). In constructing external validity for analytical generalization Yin argues to use theory in single case studies; this is to say the investigator should strive to generalize a particular set of results to some

broader theory (ibid). For instance in this research; theories about the character of tenants of PRH is the domain to which the results about tenants character is generalized.

### **2.9.3 Reliability**

The objective of Reliability is to be sure that if a later investigator followed the same procedures as described by an earlier investigator and conducted the same case study all over again, the latter investigator should arrive at the same findings and conclusions (Yin, 2003). The goal of reliability is to minimize the errors and biases in a study. The major concern to create reliability is documenting every step of the process by using the case study protocol or keeping a case study data base. In this research all necessary data collected and their sources has been documented as annex; list of interviews, pictures of major data collected and questionnaires and interviewees are indicated in the annex.

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## Chapter Three

### LITERATURE REVIEW

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#### 3.1 Home Ownership and Rental Housing

##### 3.1.1 Housing ownership and tenure

To understand what the rental housing market is, it is necessary first to understand what housing ownership is. UN-HABITAT (2003) defines owners as those with the legal or de facto<sup>6</sup> right to occupy, let, use or dispose of their dwelling. This includes those who are in the process of acquiring the right to ownership (e.g., through payments on a mortgage) (UN-HABITAT, 2003). According to this definition the ownership right is only limited to the dwelling structure not the land it is built on as in the case of Ethiopia where land is occupied through lease. There is also the issue of legality of tenure left out in this definition; there are people especially in third world countries which exercise those rights on lands they occupy illegally.

Thus to understand exactly where the rental market lies in housing ownership category it is better to see it as one of the housing tenure types. There are different kinds of tenure; the rental housing market (or rental housing sector) is a specific type of tenure, a subdivided sector, together with other sub-markets constitutes the entire housing market. Housing tenure refers to the financial arrangements under which someone has the right to live in a house or apartment. According to this definition, housing tenure could also be translated into the term “housing rights” or “property rights”. It gives the occupants certain kinds of rights but meanwhile, also a bundle of limitations. According to Donner there are five main groups of tenures with decreasing ownership rights (Donner, 2000). Donner identifies these tenure types as

- Full Ownership: it is usually for single-family dwellings, owned by the owner, financing with mortgage loan, and entitling to all attributes of ownership

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<sup>6</sup> ownership to homes where the household owns the structure but not the land on which it is built

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- Co-ownership: it is usually for multifamily dwellings, which are owned by co-owners, financing with mortgage loan, and entitling to all attributes based on group agreement.
- Common property: it is usually for multifamily dwellings, which are owned by shareholder of a housing cooperative, financing with capital share, with social functions.
- Shared ownership: Tenants usually have part of the ownership, financing with capital share and limited disposal right.
- Non-ownership: Occupant pays rents and no right to dispose the dwelling. The only type of dwellings separates the owner and occupant.

### **3.1.2 Rental housing**

#### ***Global rental housing market***

Hundreds of millions of people live in rental housing in all part of the world cities, despite this the sector is neglected in many government housing polices (UN-HABITAT, 2003). Besides providing shelter for many citizens the sector also generates income for many families. Few governments have formulated polices to help the sector grow and regulate it; still many governments promote home ownership this is because they believe that building homes creates jobs, stimulate the economy and foster social and political stability (UN-HABITAT, 2011).

As can be seen on table 3.1, many cites including Addis Ababa have above 50% of rental housing tenure; the biggest percentage are recorded 89% in Berlin Germany, 82% in Kisumu Kenya and 80% in Hamburg Germany respectively. Addis Ababa has 60% rental housing tenure recorded in 1998.

#### ***Characteristics of rental housing***

As mentioned above rental housing is the only non-owner tenure type, as with ownership it also has formal and informal situations. That is to say that there are tenants with a formal contract with the owner and others with only a verbal contract. It is still difficult to distinguee between the different rental accommodations, according to a survey conducted by UN-HABITAT in different cities of the world the following rental accommodations are identified:

- rooms in subdivided inner-city tenements;
- rooms in custom-built tenements;

- rooms, beds or even beds rented by the hour in boarding or rooming houses, cheap hotels or pensions;
- rooms or beds in illegal settlements;
- shacks on rented plots of land;
- rooms in houses or flats in lower or middle-income areas;
- accommodation provided by employers;
- public housing; and
- Space to sleep rented at work, in public places, even in cemeteries.

Table 3.1 housing tenure for selected cities

City	Country	Year	Ownership	Renting	Others
<b>Africa</b>					
Alexandria	Egypt	1996	38	<b>62</b>	-
Cairo	Egypt	1996	37	<b>63</b>	-
Addis Ababa	Ethiopia	1998	38	<b>60</b>	2
Kumasi	Ghana	1998	26	<b>57</b>	17
Kisumu	Kenya	1998	14	<b>82</b>	4
Tripoli	Libya	1995	67	<b>34</b>	-
Lagos	Nigeria	1998	49	<b>49</b>	2
Cape Town	South Africa	1996	55	<b>44</b>	1
Johannesburg	South Africa	1996	55	<b>42</b>	3
Pretoria	South Africa	1996	63	<b>35</b>	2
<b>Asia</b>					
Pusan	Rep. of Korea	1995	72	<b>28</b>	-
Seoul	Rep. of Korea	1995	70	<b>30</b>	-
Bangkok	Thailand	1998	54	<b>41</b>	5
Istanbul	Turkey	1994	68	<b>32</b>	-
<b>Latin America and Caribbean</b>					
Buenos Aires	Argentina	1998	75	<b>23</b>	2
La Paz/El Alto	Bolivia	2001	55	<b>23</b>	22
Rio de Janeiro	Brazil	2000	75	<b>17</b>	8
Sao Paulo	Brazil	2000	70	<b>20</b>	10
Santiago	Chile	2002	73	<b>21</b>	6
Quito	Ecuador	1998	47	<b>46</b>	6
Mexico City	Mexico	2000	76	<b>16</b>	8
Port of Spain	Trinidad	1998	38	<b>52</b>	10
<b>Developing countries</b>					
Montreal	Canada	1998	46	<b>54</b>	-
Toronto	Canada	1998	58	<b>42</b>	-
Berlin	Germany	1998	11	<b>89</b>	-
Hamburg	Germany	1998	20	<b>80</b>	-
Amsterdam	Netherlands	1998	16	<b>74</b>	10
Oslo	Norway	2001	70	<b>30</b>	-

Source: UN-HABITAT citing UNCHS (2003)

Another distinguishing issue in the rental market is the provider; in many communist countries it used to be the government who provides the rental accommodations (UN-HABITAT, 2003). In many countries it is the private sector that provides the biggest share of the rental housing.

### ***Supply and demand side of rental housing***

*The supply side:* Rental houses are provided by different kinds of landlords, some are rich while others are poor some are formal while others are informal; governments and companies may also rent. Understanding the supply side is important when studying housing especially when the sector under study is as complex as the rental sector. A report by UN-HABITAT identifies five kinds of landlords; small-scale landlords, commercial landlords, public sector landlords, social landlords and employer landlords which can broadly be categorized as the private and the public sector.

*The private sectors:* Majority of the world rental housings are provided by the private sector, and increasingly by the small land lords. Small scale land lords informal or formal are by far the most common; they build accommodations with whatever capital and space they have, for the purpose of earning income. Commercial landlords operate on a large scale and act in a more professional way. This sector takes up four of the above mentioned five kinds of landlord with some exception of social and employer landlords; both sometimes may be provided by the public sector but mainly are provided by the private sector; on this paper the researcher chooses to categorize them in to the private sector.

1. Small-scale landlords: - these are landlords who rent extra spaces within their compound or buildings; they may be formal or informal poor or middle-income earners. The income from the rent mainly supports the house hold or sometimes it can be the only source of income for the household. Though rare the transition from small-scale landlords to commercial landlords happens, this is because some families find it as a rout to better things.
2. Commercial landlords: - they operate on a larger scale and act in a more professional way. They can be organised as companies; using written rental contract or be ordinary people, the tenants mainly are middle or high-income groups. The housings they provide vary in quality some provide with good quality including building safety standards others provides poor quality housings equipped with minimal services.

3. Social landlords: - are non-profit making organizations, they provide housing mainly for the poor. These institutions may be charities, housing associations or sometimes educational bodies providing for their students. Recently in Western Europe these institutions have taken the task of providing cheap rental accommodations from governments (UN-HABITAT, 2011).
4. Employer landlords: - these landlords are mainly companies which provide rental accommodations for their employees. They can be hospitals providing accommodations for their nurses or government for members of the military. The main reason for providing such accommodations is the expensiveness of the local housing market or sometimes the scarcity of housing as in the case of newly established capital cities; and companies' will face recruitment problem unless they provide shelter.

*The public sector:* This sector is now less common than it used to be once but still supply large numbers of housing units in many cities of the world particularly in China, India and some transition economies (UN-HABITAT, 2011). The landlords may be central government agencies or local governments; some provides only for their employees while others rent out to the urban poor. In the twentieth century, public housing was a common response to urbanization and the urban housing problem in western capitalist, European and Asian socialist and developing countries. Yet by the Millennium it was widely perceived as a failure; criticized when it excluded the poorest and most vulnerable, yet condemned when it created concentrations of poverty (Chen et al, 2014).

*The demand side:* Like the supply side the demand side is also difficult to generalise however there are few common characteristics mainly associated with the reason for rent (UN-HABITAT, 2011). Renting offers mobility and renters tend to move whenever necessary; like when they change workplace or when they get a better job elsewhere. For the young who are not ready to settle rental housing offer better accommodations. Flexibility is also another character of rental housing; it gives flexibility for households to manage their budget according to their income they move to cheaper houses when times are hard and to better when their income increases.

Renting gives freedom for people who don't want to make long term financial commitment that comes with buying or building a house or to face costs associated with repairing and

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maintaining their own house. Renting a home in the city allows people to send more of their earning to their relatives elsewhere increasing remittance. Based on this reasons for rent and other factors the report by UN-HABITAT identifies six major kinds of tenants (UN-HABITAT, 2011):

1. Low income households: - these are tenants for economic purpose, the high cost of building houses and acquiring in cities coupled with other priorities renting becomes the only way to put roof over their head. Many of these tenants have less income than their landlords though it is not the case always.
2. Migrants: - new migrants to a city stay initially with relatives or become a tenant in someone's house; many never buy properties in the city because they do not intend to stay there. Instated they often buy property in their homelands and continue to rent in the city.
3. Younger people: - people in cities are tenants sometime in their life, renting is often a feature at the earlier stage of people lives. A study conducted by UN-HABITAT shows that tenants tend to be younger than owners; their family size also is smaller than the owners, the birth of children often pushes families from renting to ownership (UN-HABITAT, 2011).
4. Single parent households and divorces: - the decline in birth rate, the death of family heads, separation and divorces in families often trigger the move to rental housing.
5. People with different priorities: - some households who afford to own a house may choose not to own rather to spend their resource on setting up other income generating business.
6. Gender: - in cities where poor families tend to rent female-headed households are in majority because of their low income.

## **3.2 Public Rental Housing (PRH)**

### **3.2.1 What is Public Rental Housing (PRH)?**

There are two forms of rental housing provided with the involvement of governments; social housing and PRH. Though the level of involvement may vary; hence before defining what public rental housing is let see what social housing is first; although there is no formal common definition of social housing, it can be formalized by its features – the rents charged, which are intended to be affordable; its ownership and management by public institutions, cooperatives or non-profit making organizations; and its social aims (European Commission,

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2010). Hugo Priemus used the notion of “social rental housing” on a non-profit basis provided by housing associations and municipalities (Priemus & Maclennan, 1998). While in most countries social housing tends to be targeted at the poorest members of society, in some, such as Sweden and the Netherlands, it covers a wider range. No matter if it is called social rental housing or public rental housing, the essence remains the same.

Another distinction needed is between public housing and PRH; where public housing in many contexts means housing developed by the public for rental purpose which makes it similar to PRH. In some countries PRH is one form of public housing; in many of these countries they have public housing for homeownership. Whether they are called public housing in the former case or RPH in the later the essence remains the same. Therefore; the distinction needed to be made here is between social housing and public housing; because public rental housing (PRH) is one form of providing public housing. To give a more precise definition of the two:

Social Housing: residential accommodation mainly for rental purposes established through state intervention mainly of a state agency. In some countries, the state appoints or enlists non-public agencies to provide social housing within established frameworks to ensure affordability and targeted tenant selection.

(Onayango, 2013)

Public Housing: housing developed by a public agency for the purpose of accommodation of the low income mainly for rental accommodation and whose tenants are selected through established procedures.

(Onayango, 2013)

Public housing has however taken varied forms in different geographical contexts and other descriptive terms are sometimes used in its place – such as social housing, state-housing, state-sponsored housing, welfare housing, non-profit housing, low-cost housing, affordable housing, and mass housing (ibid, 2013). For the purpose of this study, public housing refers to a form of housing provision, which emphasizes the role of the State (government and its agencies) in helping to provide housing, particularly for poor, low-income and more vulnerable groups in the society. Although most public housing is often for rental accommodation, there are certain types or forms of public housing that deviate from this

norm. There are also some forms of public housing that specifically address special need of segments of the society such as the elderly, immigrants, persons living with disabilities etc. in Hong Kong, for example the Housing Authority (HA) develop different kinds of public housings which includes public rental housing (PRH), Home Ownership Scheme (HOS), Private Sector Participation Scheme (PSPS) and Interim Housing (IH) etc (Kwok, 2013).

Public rental dwellings are government-owned structures.

(Marife M., 2004)

### **3.2.2 Global development of PRH**

Across the globe, most governments have attempted to provide rental accommodation for some section of the society at one time or another. With varying degrees of enthusiasm, most governments have invested in public housing intended for poor families. It has been claimed that internationally, at the beginning of the 1990s, government public housing accounted for 19.5 per cent of the total housing stock (UN-HABITAT, 2003). Given the severity of the housing problem, the political pressures building up and the failure of the private sector to provide either enough, let alone enough adequate, accommodation, direct government involvement was deemed to be essential (UN-HABITAT, 2003).

The development of PRH varies in different context and countries; it varies in scale, reason of development, target groups, management and many other aspects. The development of PRH discussed in this section tries to see this phenomenon by refereeing to the different contexts and countries separately. The current scale of PRH development in Asia and availability of reference documents has pushed the author to discuss the case of Asia separately from developing countries.

#### ***The United Kingdom (UK)***

The United Kingdom (UK) has a history of public housing subsidized by central government, dating back to 1919 (Chen, J. et al, 2014). In England public housing (council housing) starts as reaction to solving the insanitary living condition caused by the industrial revolution of the late 18<sup>th</sup> and early 19<sup>th</sup>; throughout the 19<sup>th</sup> century, private landlords provided the vast majority of housing for riches and poor. Overcrowding, ill health and exploitation in the homes of the very poor were the character of the living and housing condition. It is to change this condition that the royal commission decided to remove unhealthy dwellings and replace

them with sound working class homes around 1868s and 70s. In addition to replacing these dwellings local authorities were given the power to build new working class houses (Anne, 1985). At its peak around 1980, around one-third of households lived in PRH units. Since then two important shifts have occurred: first, the discounted sale of properties to tenants under the ‘right to buy’; second, local authorities now account for only half the total stock of social rental housing. The second of these phenomena arose because it became common in the 1990s and 2000s for local authorities to transfer their housing to independent not-for-profit organizations called housing associations. Moreover, almost all new social rented housing built since 1988 has been developed by housing associations (Chen et al, 2014).

### ***The United States of America (USA)***

In the case of the USA, it was the Great Depression of the 1930s that led to the creation of public housing; because of the depression half of residential mortgages were technically in default and the construction industry had collapsed (Chen et al, 2014). Although legislation was passed to facilitate public housing during this period, the plan was to build on a relatively small scale (Stoloff, 2010). It was at the end of the II World War that the sector starts to grow following the 1949 Housing Act; the Act was introduced in response to the acute housing shortage caused by the return of war veterans to their home. But the program was impeded by competing expenditure burdens arising from the war in Korea (Lin, 2011). Later in late-1960s the Johnson administration set a high goal for national housing production. Both save for the New Deal and Great Society initiatives of Presidents Roosevelt and Johnson in the 1930s and 1960s has not flourished, this shows the country’s underdeveloped welfare state (ibid). The role of public housing in the USA, a country with a very different political culture compared with much of Europe. A belief in the superiority of the market, a distrust of government and an attachment to individualism combined to ensure that public housing has never been in the mainstream of housing policy. There was never a sufficient political constituency to create a large public sector (Chen et al, 2014).

### ***Europe***

As in North America in Europe public housing is now relatively rare. Many countries never adopted state-owned housing as a model, whilst many that did have now retreated from it. In Europe it is only Sweden and the UK that provides the clearest models of rental housing owned and managed by the state (Chen et al, 2014). By the end of the 1980s, few

governments believed that they could be good landlords and, even in social democratic Europe, many governments tried to sell off much of their housing stock. The United Kingdom's Conservative Government sold off 2.1 million units of its council housing stock between 1979 and 1996 and encouraged the transfer of much of the rest to housing associations (UN-HABITAT, 2003).

Though there is a poor performance in developing public housing in Europe; there has been a trend towards the development of a wider 'social' sector, with provision by non-state not-for-profit landlords, which sometimes act to moderate rents in the open market (Chen et al, 2014).

### *Asia*

In contrast to the decline of the sector in many western countries, economic growth and urbanization in Asia have brought its own pressures on the housing system. And in Asia, governments have concluded that forms of public rental housing have a vital role to play in the urbanization process. Its role ranges from 'significant presence' in Hong Kong and South Korea whilst it plays only a 'marginal' role in Japan and Taiwan. The growing needs of public housing programs have been driven not only by political pressures, but also the urbanization process in these regions (Chen et al, 2014).

The most notable public rental housing development is taking place in the Republic of Korea. One million rental housing units are planned over the 2003-2012 period (UN-HABITAT, 2011). Large-scale public rental housing has not been that significant in the South despite exceptions such as Hong Kong (UN-HABITAT,2005). In Hong Kong, the Housing Authority actually increased its PRH stock by 18,000 units between 1991 and 2001. In the Republic of Korea, there has been (since 1989) a growing interest in permanent rental dwelling programmes for those on low incomes (ibid).

### *Developing countries*

Many poor countries have tried to develop public rental housing for their citizens; but only few had the resources to build on a massive scale. Only petrol-rich nations such as Saudi Arabia, socialist regimes such as China and Egypt (under Nasser), the apartheid regime in South Africa, and certain countries facing massive influxes of refugees, such as Hong Kong and Singapore managed to build public housing in quantity (UN-HABITAT, 2003).

Some Latin American governments did build the equivalent of 15 per cent of the housing stock in their capital cities, for example, in Bogotá, Caracas, Mexico City and Santiago, and even larger proportions in new cities such as Brasília and Ciudad Guayana. However, little of that housing was rented and most was sold to the occupants (UN-HABITAT, 2003). By contrast, the apartheid regime in South Africa built large numbers of public housing units for rent, both as single-family residences and as hostels. In Kenya, too, the “local authorities built a good number of rental housing schemes to provide subsidized accommodation within local authority jurisdictions”. Elsewhere in Africa government rhetoric greatly outweighed any achievement on the ground; in Nigeria, for example, although public housing was warmly embraced by official rhetoric very few housing units were produced even during the height of the oil boom.

The fundamental problem facing public housing in developing countries was that supply never matched demand; this in turn causes allocation problems followed by corruption, nepotism and exclusion of the deserving once (UN-HABITAT, 2003). Under such circumstances, public housing agencies were unable to build more homes or even maintain the existing housing stock satisfactorily. The famous downward cycle of decay in the public housing sector has been documented for most countries in the world. Only a few governments in developing countries are entitled to look back with pride at their record. Given the overall record it was not wholly surprising that housing wisdom changed (ibid).

### ***Decline of the public housing sector***

There is now relatively little of public housing left across the world; new PRH has been constructed in very few countries over the last decade. The most notable exceptions are China and the Republic of Korea. The reasons for the decline of the sector are mainly associated with finance and management, the shift in political ideology has also played a role in the decline of the public housing sector (UN-HABITAT, 2011). Problems faced by many governments are summarised as follows (ibid):

- Investment costs were too high so that few governments were able to satisfy the housing need.
- Beneficiaries were frequently chosen on criteria other than need, often as a result of nepotism, favouritism based on party membership or outright corruption.

- Tenants often failed to pay the rent, often because of managerial incompetence, particularly in rent collection.
- Rents were kept too low to permit maintenance or expansion of the stock.
- Housing agencies accumulated large debts as a result of poor rent collection and high maintenance costs.

PRH proved a long-term success in only a handful of countries most governments experienced problems mentioned above. As a result, social problems often built up in so-called ‘sink estates’ and most governments ceased to build for rent. Many attempted to sell off the units to the existing tenants (UN-HABITAT, 2011).

Many countries have experimented PRH on a minor scale, in general the scale of provision reflects the limited funds available to invest in public housing initiatives and the high standards that are required. In general, PRH has not been allocated to the poor, nor would it necessarily have been affordable even if it had been allocated (UN-HABITAT,2005). In some cases, these properties have now been privatized following the increased emphasis on market provision. As with the transition countries in Europe, China has relatively recently begun a policy to transfer to homeownership dwellings that had previously been rented from state-owned enterprises and from other state housing providers (ibid). Despite a general trend against direct provision in the South as well as the North, there is some continuing support for rental housing in a number of countries (UN-HABITAT, 2011).

### **3.2.3 Who are the target group of PRH?**

According to the definition of public housing generally and PRH specifically; PRH is mainly provided for the low income part of the society; mainly those families who can’t get housing through the market price. Many countries have used PRH to solve housing problem of these poor families. There are some countries like South Korea and Singapore cites like Honk Kong; who provides PRH for different income groups including the poor (Lee. J., & Yip, 2006). In china they have different kinds of public housing; low-income rental housing and PRH are among the public housing program; where the former is provided for the poor and the later for the low-moderate and middle income groups of the society (Li, 2011). Again in Shanaghi city; china PRH is a very selective program with a clear target to attract and retain the ‘talented/productive class’ to enhance the city’s competitiveness (Lee. J., & Yip, 2006). In

the US and UK the early public rental housing was not aimed at the poorest households but later changed to include wider groups. In UK the Government's aspiration after the Second World War that public rental housing should house a wide range of social classes soon gave way to a prioritization of rehousing people who would otherwise be rendered homeless by the demolition of slum housing (Chen et al, 2014). In the case of US currently it is only the poorest of the poor that are accommodated in public housing mainly Africa-Americans; if the income of the family increases they will be forced out of the unit (Stoloff, 2010).

The target group for PRH varies in different contexts based on economy, available resource and policy of the government.

### **3.2.4 Financing mechanisms for PRH**

As the development of PRH varies in different countries so does the financing mechanism; In Hong Kong for example publically provided homeownership schemes allowed funds to be recycled into the development of future public housing (Chen et al, 2014) which makes the housing authorities in the country financially self-sufficient (Wang, 2010); while in Korea PRH is constructed by the government-sponsored enterprise such as the Korea National Housing Corporation (Chung, 2001). But in many countries the sector relays on government's direct funding support (Wang, 2010); the way the fund is gained and subsidies implemented also varies from country to country. Below are three mechanisms to finance affordable PRH (Peter, 1997):

- Providing direct subsidies for rents or operating costs- These may apply to new, rehabilitated or existing housing. Many local governments provide housing vouchers or housing allowances through public assistance programs.
- Providing direct financing for real estate- In the affordable housing arena, this includes loans and equity investments usually on non-conventional terms as well as grants.
- Providing inducements to financing- These include public or private mortgage insurance, loan guarantees, tax-exempt lending provisions, interest subsidies, tax credits, and a number of other devices designed to make direct financing easier or less expensive. Unlike direct financing mechanisms, they are not "money on the table" for a real estate development project rather; they induce or make possible other, more direct investments such as loans or equity investments.

### **3.2.5 Management of PRH**

The management of public housing by the government in most countries is often labelled poor maintenance, low rentals and more often than not, tenants are unsatisfied with their dwelling units. These factors contribute towards the general decline of public housing. This is further exacerbated by the high vacancy rates resulting in many abandoned units being left to rot. High vandalism rates in public housing also contribute to the high maintenance cost (Salleh, et al, 2011). As Onayango (2013), puts it; the management of public housing remains a challenge to many Governments especially in developing countries. As a result most public housing remains in deplorable state of repair. Well intended but misguided public policy has fostered poor fiscal and operating management practices. These practices have led to deteriorating physical conditions, and public housing has become a permanent residence for persons cut off from opportunities available in the broader community. This isolation has been not only physical but social, cultural and economic as well (Onayango, 2013).

Public agencies and registered social landlords are likely to carry out all the core services, although they might use agents to assist them to deliver these functions. There is evidence that other departments and services made a significant contribution to housing management tasks. A public agency mainly manages public housing. Currently there is a tendency of privatizing the management service to private management firms. The public housing management agencies are characterised by large number of properties and large number of staffs with poor performance in many countries especially developing countries (Wang, 2010).

### **3.2.6 Purpose of PRH**

According to Xi Li, (2011), the main purposes of providing PRH are the following:

- The primary objective is "Everyone has the right to live in proper housing" instead of "Everyone has home ownership".
- The housing support is to guarantee transitional living right other than permanent protection.
- The design standards of public housing (including PRH) are to meet the basic needs of low-moderate income families, other than enjoyment of high-income families.

Many countries use PRH as a useful tool to solve these problems. As Li (2011) described citing Li. W, unlike affordable housing and price-limited dwellings (which are home ownership programs), PRH has addressed the equity issue. Therefore, constructing PRH is an outstanding way to solve these low-moderate income households' living condition problems.

Because of the nature of housing market (i.e. imperfections of the market systems and its inability to address the needs of the low income) that public housing is meant to satisfy, the rental option is the most appropriate form of public housing mainly for the following reasons

- It allows room for redressing any problems that may arise in allocation.
- Enables those with inconsistent income streams to access housing despite their inconsistent incomes because it is a short term commitment as opposed to purchase
- Often rental accommodation is cheaper compared to the costs associated with servicing a mortgage for a similar accommodation in the same neighbourhood

### **3.2.7 Advantages of PRH**

Developing PRH is very important to stabilize the real estate market. By renting low-rent and long term rental housing, the huge need for housing ownership can be postponed, which in turn increases investment in other sectors. Therefore, it is very important to stabilize the housing price and ease the mismatch between supply and demand. In addition, when the development of PRH construction reached a certain scale, the target group can enlarge to cover more people.

#### ***PRH Helps to Ease Overheating in Short-term***

PRH increases housing supply. Firstly, it will have impact on the price level of rental housing in the short term, suppress some demand for investment purpose, and indirectly suppress the housing price increasing too fast (Li, 2011).

In addition, it will influence commercial housing market in the long term. On one hand, PRH can change our expectation about housing market. In recent years, there are many buyers purchasing housings beyond their economic condition, the reason is that people think the later they wait, the more expensive the housing will be, and also for renting. Introducing PRH can ease the anxiety to this issue, which lead people to take time to realize the transition from renting to housing ownership in accordance with their economic condition. On the other

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hand, a large amount of PRH in the housing market will reduce the average rent, especially lowering the increasing speed for the rent of private properties, which decreases the return for investment (ibid).

### ***PRH Helps to Solve Housing Problems in Short-term***

The demand in residential market is increasing due to urbanization in many major cities including Ethiopia's capital Addis Ababa. More and more people flood into major cities; especially those migrant workers and new graduates that form the labour market. Their housing problem must be met in some way. In many cities this is left for the private sector which is market driven creating uncontrolled housing market. Moreover tenants will face fear of eviction and increase rent price. Even when the rent of private landlord is affordable for them, there are still a series of problems since it is quite unregulated and immature market in many cities like Addis Ababa. Therefore, Public rental housing is not only the way to solve housing problem, but at the same time, is one effective way to meet the urgent need in residential rental market (ibid).

### ***PRH only benefit the ones with real need***

There are rules on who has the legal right to rent PRH in many countries; however like other social housing the cost of supervision is extremely high for governments to identify the one with the real need; for lack of information, lack of or poor social monitor system and corruption. One important character of PRH is it functions with temporary ownership which can really make those "rich" people stop trying to get it, and benefits those people in need.

## **3.2.8 Disadvantages of PRH**

### ***PRH makes housing market in a 'State of Disorder'***

Market price is determined by market supply and market demand. With increasing demand in a certain area with exclusive geographic advantages, the average housing price and rent level will definitely increase; if large amount of PRH is provided in that area the private rental and residential market there will be influenced. Private rental landlords may have to reduce the rent while the housing price in these areas would probably drop since the amenity and public resources in these neighbourhoods have to share with newly settled lessees which will devalue the quality of the outer environment of existing properties.

PRH tend to separate the housing price and property tax into “two track system”---Public housing standard and commercial housing standard, the attempt to form the significant difference in rent, taxes and housing price between these two forms of dwellings, will interfere with the housing price signal and resources allocation, making the housing market complicated. At this situation, the market rules will probably be in a state of disorder and market operation will not go according to the rule of supply and demand. Market fails to operate properly (Li, 2011).

### ***High supervision and management cost for the government***

There are rules on who has the legal right to rent public rental housing; the cost of supervision is extremely high for the government. These rules are mainly based on income and the existing housing status of the applicants. However, due to the absence of sharp social monitoring system, government can know the family member’s annual salaries, but is still hard to know how much money a family earns each year. This is possible since people can make money in stock market or informal market under their parents’ account or people can buy their own apartment but register it under their parent’s name, and it is common in countries with firm family ties. Thus, it is very difficult for the government to carry out effective supervision. Moreover, unlike other ownership social housings require supervision only for once before the ownership transfer, public rental housing requires more supervision and management. Therefore, management and supervision cost for the government is very high (ibid).

## **3.3 Measuring Public Rental Housing Management**

### **3.3.1 Measuring management performance**

Public housing although critical and inevitable in facilitating access to decent housing for the low income earners especially in cities and urban areas, should not be unsustainable. If adequately managed, public housing is capable of supplementing the inadequacies of market driven housing delivery systems and delivering a more inclusive society. One way of doing that is to measure management performance level so that the management body can identify where it has performed well and where it has lagged behind and take further action. Although Management performance indicators are well established in this sector; Tenant satisfaction ratings have taken on growing significance in their contribution to official judgment of landlord effectiveness; Onayango citing Pawson and Sosenko (Onayango, 2013).

The management performance of the agency under study in this paper is also conducted using this 'tenant satisfaction rating' technique. Presented below are general introduction and some theoretical issues of the technique.

### **3.3.2 Measuring management performance through tenant satisfaction**

#### ***Why measure tenant satisfaction?***

The perceived need to measure views about service provision on the part of social housing tenants is part of the broader influence on new management ideas on the administration of public services, Hal and Filip citing Walker and Newman (Hal, P. & Filip, 2010). However the importance of measuring user satisfaction on social housings is the users have very little freedom to shop around for a better quality provisions. Equally, since access to their services is determined by administrative rather than market criteria, such agencies cannot calibrate their performance with balance sheet. Management performance indicators are well established in this field but are more skewed towards process focused rather than outcomes and effectiveness (Hal, P. & Filip, 2010).

#### ***Origin and development of tenant satisfaction measurement***

The measurement of resident satisfaction in social housing originated in the 1960s in the context of optimizing the architectural design of housing estates (Hal, P. & Filip, 2010), Models developed during this period have influenced the current models used for measuring tenant satisfaction.

Though there are models used for measuring tenant satisfaction developed in different countries a major innovation was the 1999 development of standard survey model known as STATUS in England, commissioned by government and led by the National Housing Federation, trade body for housing associations in England (ibid).

#### ***Defining tenant satisfaction***

There are different interpretations and definitions of tenant satisfaction driven from different opinions of various professional which makes it difficult to be addressed properly and logically. For instance urban planners and designers on one hand and environmental psychologists on another hand, emphasizes on environmental quality and quality of life as

well as people behaviour. On the contrary, policymakers focus on the relationship between the extents of fulfilment of individuals' housing desires and needs without touching the details of tenant satisfaction. However there are some similarities in those definitions which stems from the fact that there is a core in all of those interpretations which emphasizes that residential satisfaction is significantly positively related to different aspects of people's temporal experience in the residential neighbourhood.

Mohit et al., (2010) in simple terms tenant satisfaction may be defined as the feeling of happiness when one gets what he/ she needs in a house (Onayango, 2013). Francescato et al (1979) defined residential satisfaction as the emotional response to a person's dwelling; the positive or negative feeling that the occupants have for where they reside (Waziri, A. et al, 2013).

Tenant Satisfaction: the extent to which the tenant is perceives and/or is convinced that their rental accommodation meets their desires and needs which may be physical or soft i.e. non-physical.

(Onayango, 2013)

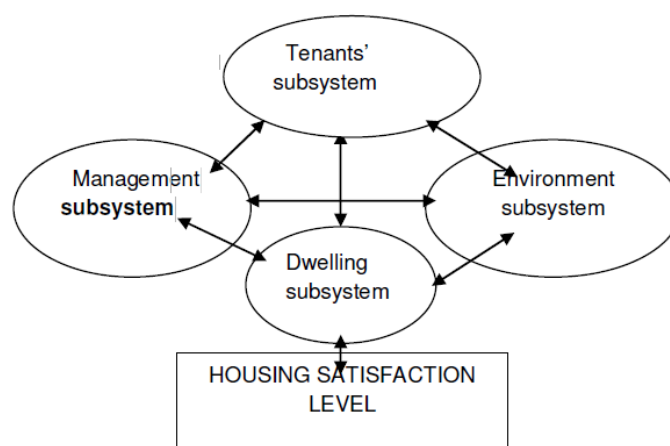
### **3.3.3 Approaches to conducting tenant satisfaction survey**

Studies of peoples' satisfaction with their residential environment have showed complex patterns of relationship. Kangjuan (2010), Life satisfaction refers to the degree of subjective satisfaction achieved when each individual's life needs and expectations are fully met. Based on their respective life background and expectation, different groups and social classes have different living environment perception and satisfaction (Onayango, 2013). A tenant satisfaction study therefore should attempt to apply three first grade indicators namely material satisfaction, spiritual satisfaction and system satisfaction to construct a life satisfaction index system (Mao, k. et al, 2008). In housing therefore, material satisfaction may be linked with the physical components of shelter while spiritual satisfaction may be linked to relationships with neighbourhood factors and system satisfaction may on the other hand be associated with management factors and systems (Onayango, 2013).

Findings of a study done in the past has led to the formulation of a study structure to measure housing satisfaction which is divided into four main categories amongst which are

satisfaction towards the dwelling unit, satisfaction towards neighbourhood qualities, satisfaction towards the management and satisfaction towards the services provided by the housing management whether by the developer or by the land owner; and satisfaction towards the facilities and amenities available in the dwelling unit and its surrounding area (Adesoji D, 2010; Waziri, Yusof and Salleh,; Onayango, 2013; Hal, P. and Filip, S., 2010) . A dwelling that is sufficient enough from the physical or design point of view may or may not be sufficient enough from the user's point of view (David, 2010). Onibokun (2005) promotes the concept of user satisfaction by incorporating four interactive subsystems: the tenant, the dwelling, the environment, and the management subsystems (Onayango, 2013).

Fig.3.1 System approach to user's housing satisfaction



Source: Adesoji D. citing Jiboye (2010)

Therefore, the concept of habitable and satisfactory house is related to the physical, architectural and engineering components of the house, as well as to the social, behavioural, cultural and personal characteristics of the inhabitants, the components of the environment of which the house is a part; and the nature of the institutional arrangements under which the house is managed. On this premise, Onibokun, referred to the concept as the tenant - dwelling - environment and management interaction system. In other words, assessing housing satisfaction would mean evaluating the level of satisfaction of the tenant, living at a particular housing unit located in the particular community or environment, and managed under a type of institutional management. It is based on this conceptual framework that a satisfaction model would be developed (David, 2010) see Figure below.

The model depicts a system which consists of four 'interacting subsystem or components of the tenant, dwelling, environment and management which produces a housing situation which the tenant's component judges as adequate and satisfactory according to his housing needs and expectations. In explaining this relationship, the tenants' subsystem is at the heart of the model, and acts as the recipient of all the feedback from the other subsystem. The dwelling subsystem is the housing unit which forms part of an environment where the unit is located. There is also the management subsystem or component of the satisfaction model. This subsystem comprises of the entire institutional arrangement under which public housing is administered (David, 2010).

Lynch (1960), studies on human perception and behaviours have shown that the interaction and interdependence of the components of a subsystem act as a stimulus to an individual who forms a cognitive image or a mental picture of oneself and each of the other components in the system. Such a cognitive image formed by the tenant through the perception process becomes the basis of one's attitude and feelings towards each of the components and the totality of these feelings is the basis on which one's housing satisfaction depends. (Onibokun cited in David, 2010).

However, Anantharajan (1983) had observed that the grouping pattern of these variables and housing attributes could be modified as the case may be to suit the peculiarities of evaluation. While evaluating housing programs, reliance on performance of its various components should be of greater importance than for their mere physical existence. In this direction, users' satisfaction could be a useful indicator to measure the performance of housing development by relevant stakeholders in housing development. (David, 2010). Since what is needed here (in this research paper) is to evaluate the performance of the management body of the housing program, it is only the management variable that is considered.

The differing socio-economic backgrounds of residents also contribute to different levels of satisfaction towards housing. Lu (1999) observed resident satisfaction as a complex construct which, is affected by a variety of environmental and socio- demographic variables among which include gender, age, family size, educational level, monthly family income, employment statute, length of residency, and socioeconomic status (Onyango, 2013).

Critics have however questioned the validity of the satisfaction' concept, partly on the grounds that expressed satisfaction is wholly dependent on the respondent's expectations. Distinct from this is the critique that the degree of satisfaction' expressed by a tenant will be dependent on a range of factors, many of which may be unconnected with the practical performance of the landlord or environment in question. Besides the critiques of measurement of tenant satisfaction, it still remains a useful tool for assessing progress and improving service delivery –in this case management of the built environment. An informed view of the quality of housing management therefore can only stem from recurrent observation and analysis that can only emanate from periodic customer (tenant) satisfaction assessments. Tenant satisfaction is so critical for sustainable neighbourhood management and rent collection and even with its complex dimensions need to be practiced and deepened especially in developing countries to enable public housing management authorities to continuously evaluate their performance. The practice of evaluation of tenant satisfaction in public housing in especially developed countries has enabled the management authorities to be able to address many of the challenges of public housing management and thus has yielded less maintenance problems in public housing in those countries.

### ***The Management variable***

The role played by the management in managing the housing environment is crucial especially in rented housing. Effects of management can be discerned through the way tenant selection was carried out, implementation of the law, methods and times of rent collection, hygiene, maintenance, security and tenant relations (Salleh, et al, 2011). The relationship between the housing management and the tenants pose a large influence on tenants' housing satisfaction. Additionally, repair services carried out by the management is said to influence the level of tenant satisfaction towards their dwellings (David, 2010). Matters considered in aspects of repairs are the quality of services offered and the time taken by the management in handling tenants' complaints. P.Varady & Carrozza, (2000); Ukoha & Beamish, (1997) Husna & Nurizan (1987), placed the aspects of plumbing and building repairs, electrical wiring, water supply, garbage disposal and security as variables studied as management factors influencing the level of tenant satisfaction (David, 2010).

Paris & Kangari (2005) suggests to look in to 18 strategic management issues when studying level of tenant satisfaction towards the management namely: satisfaction towards

management staff; satisfaction towards the tenant selection procedures and processes; implementation of the law; friendliness of the management; the time taken to act on tenants' complaints; tolerance in handling issues; teamwork among the staff; the quality of repair works upon completion; building quality; hygiene quality in the building unit; hygiene quality in the overall dwelling area; environmental security; unit security; whether or not will ask friends to stay in the same housing area; overall quality of maintenance carried out by the management and overall satisfaction towards the dwelling unit (Waziri, A. et al, 2013). A study by Paris & Kangari (2005) indicated that the 18 aspects studied have a strong relationship with the level of tenant satisfaction.

However, previously conducted tenant satisfaction surveys have used different points to measure tenant satisfactions towards the management. David Jiboye, (2010) have used two broader categories; satisfaction with management involvement and response rate (SAMIR) and satisfaction with management's attitude on rules and regulation (SAMAR) (David, 2010) While others considered detail points like Condition of staircase, Location of staircase, Plumbing repair services, Lighting in corridors, Size of corridor, Electrical repair services, Maintenance of common areas, Garbage collection, Cleaning services for corridors & staircases, sanitation and waste management, pipe repair, electrical wiring, rules and regulations operating in the housing estate, compliance and response from the facilities managers, Water supply, Safety and security, response rate to repairs and general maintenance, communication level, rate of cordiality between management and tenants (Adesoji D, 2010; Waziri, Yusof & Salleh,; Onyango, 2013).

### **3.4 Global Experiences of PRH**

#### **3.4.1 Public Rental Housing Provisions in Honk Kong**

##### ***Introduction***

Housing policy in Hong Kong is currently formulated, co-ordinated and monitored by the Secretary for Transport and Housing. The Housing Department supports the Transport and Housing Bureau in dealing with all housing-related policies and matters. One of the Government's long-term housing strategies is to increase PRH production to meet the needs of the grassroots (GovHK, 2014). In Hong Kong, about half of the total population lives in public housing which includes public rental housing (PRH), Home Ownership Scheme

(HOS), Private Sector Participation Scheme (PSPS) and Interim Housing (IH) etc (Wang, 2010).

Public rental housing (PRH) units provide adequate and affordable homes for 30% of Honk Kong people in 2013 (Kwok, 2013). There are two main organizations which provide a total of 761, 160 PRH units. The Honk Kong Housing Authority (HKHA) has a stock of 728,000 PRH units (i.e. about 96% of all PRH units in Honk Kong accommodating 2,026,900 people) as at 2013; and the Honk Kong Housing Society (HKHS) has a stock of 33,160 units' accommodating 87,877 people (Kwok, 2013).

### ***Target group***

PRH units are allocated to selected target groups which are mainly low-income households which are unable to afford private sector rent. Not all PRH tenants' households are low-income applicants when they are allocated a flat upon their entry in to PRH sector (Kwok, 2013). Apart from low-income households, PRH units are also allocated for elderly people and relocated people; 'Housing Elderly People' and 'Interim Housing' are name of the programs respectively (GovHK, 2014). Interim housing provides accommodation to people who are rendered homeless for one reason or another, but are not eligible for permanent public housing for the time being (GovHK, 2014).

To allocate the units to the specific target groups the authorities has established a waiting list; to register on the waiting list an applicant should meet the income and asset limits (the Waiting List Income Limit and Net Asset Limit) and "residence requirement" (Kwok, 2013). No less than half of members of in the family should have lived in Hong Kong for 7 years to meet the residence requirement. PRH Waiting List Income Limits are derived using a household expenditure approach, which consists of housing costs and non-housing costs, plus a contingency provision (Kwok, 2013).

In addition; the authorities have introduced the following set of criteria to allocate PRH units to people in genuine need (GovHK, 2014).

- Allocation of PRH flats to eligible general applicants in accordance with the order of registration; (first come first served basis)
- Non-elderly one-person applicants are subject to the QPS, under which points will be assigned to them based on their age when the applications are registered, whether they

are PRH tenants and their waiting time. The more points the applicant scores, the earlier the applicant will be offered a flat, subject to the fulfillment of all the PRH eligibility criteria;

- To be eligible, applicants and their family members must undergo comprehensive means tests covering both income and assets, and must not own or co-own or have an interest in any domestic property in Hong Kong, or have entered into any agreement to purchase any domestic property in Hong Kong, or hold more than 50% of shares in a company which owns, directly or through its subsidiaries, any domestic property in Hong Kong. At the time of allocation, at least half of the family members included in the application must have lived in Hong Kong for seven years and all family members must be still living in Hong Kong;
- Public rental tenancies cannot be passed on automatically from one generation to the next. When a tenant passes away, a new authorized person (other than the surviving spouse) is subject to a comprehensive means test; and
- Long-term tenants (i.e. those who have stayed in public rental housing for 10 or more years) with income and assets exceeding prescribed limits are required to pay additional rent or vacate their flats.

### ***Financing mechanisms***

Unlike many other countries, where public housing authorities rely on governments' direct funding support for their PRH construction programs; in Hong Kong HKHA have become financially self-sufficient since 1993 (Kwok, 2013). Since then capital cost for PRH units, subsidized sale flats and non-domestic premises have been funded through surplus generated from the consolidated accounts. Before reaching the financial self-sufficiency status, HKHA had to borrow money from the government's "Development Loan Fund" (DLF) to build or redevelop PRH estates apart from making use of the above-mentioned surplus (ibid).

Currently the cash-rich HKHA is in a good position to continue and expand its PRH provision without relying on governments funding support (Kwok, 2013).

### ***Management***

Currently it is both private service companies and housing authorities that manage PRH units (Wang, 2010). Tenants' participation through Estate Management Advisory Committee (EMAC) and customer satisfaction surveys has been an important input for management of

PRH units. HKHA carries out customer satisfaction survey on design, management and maintenance periodically to solicit views of tenants (Kwok, 2013).

The management of the housing authorities have been characterised as; bulky manpower structure, cost ineffectiveness and time inefficiency in managing public housing. The housing authorities therefore, face consistent pressure from the public regarding the quality of public housing management (Wang, 2010). To enhance these problems the housing authorities starts implementing privatization of PRH managements since 1989 (ibid). In order to oversee the performance of the Private Service Companies (PSCs) in the privatization programme, the housing authorities has conducted tenant satisfaction surveys periodically. According to the result of the surveys, the performance of the PSCs is satisfactory (ibid).

#### ***Lesson learned***

- The Housing Authority (HA) made itself financially self-sufficient by building additional units for sale. This allows the HA to produces rental units without funds from the central government.
- Target groups were clear; and to allocate the units to the target group the HA have introduced the Waiting List Income Limit and Net Asset Limit and resident requirement and many other mechanisms.
- In management the HA tests its performance through periodical tenant satisfaction survey; and when finally their stock increased they have started the implementation of privatizing the management.

### **3.4.2 South Korea ‘National Public Rental Housing program’**

#### ***Introduction***

For several decades, direct provision of public rental housing has been the main vehicle of low income housing policies in South Korea for which favourable treatments are provided in terms of land acquisition, long-term below-market-rate financing, and tax deductions and exemptions (Chung, 2001). There are also other kinds of demand side housing program intended for low-income households. In spite of these efforts, housing conditions of low income households have not been much improved as expected and the gap of housing conditions between income classes is still large.

To alleviate these problems the South Korean government has introduced two public rental housing schemes; one in 1988 and one in 1998 (Chung, 2001). As major part of supply side program, public rental housing program begins in 1988 on a full scale when the “two million housing units’ construction project” was initiated (ibid). This project planned construction of 1.5 million new housing units for sale and construction of 500 thousand units for rental housing. But what is discusses here is the second PRH scheme introduced in 1998 called ‘the National Public Rental Housing program’ (ibid).

### ***Project***

From 1998, the National Public Rental Housing program was introduced. In the beginning, this public rental housing had two different rental periods: 10 year and 20 year (Chung, 2001).

### ***Target group***

At the start of the program; For 10-Year National Public Rental Housing, households who were not homeowners, held national housing subscription savings<sup>7</sup> accounts and earned income less than 70% of the average income of urban households were qualified for application (Chung, 2001). In the case of 20-Year National Public Rental Housing, applicants should not have home and their income should be less than 50% of the average income of urban households. There was no requirement for holding national housing subscription savings accounts (Chung, 2001).

This program was revised in 2002 in such ways that qualification requirements were differentiated by the size of the public rental housing and the rental period was unified to 30 years (see table below).

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<sup>7</sup> Due to excess demand for housing, the government introduced a system to ration newly constructed housing to households. Under this system, households who want to rent or buy publicly-provided rental housing or housing for sale should open national housing subscription savings accounts and deposit some money every month. Based on number and amount of deposits, households obtain opportunities for subscription to newly constructed housing.

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Table 3.2 program, target group and financing of South Korea National Public Rental Housing program

Size of rental housing	Qualification requirements	Shares of construction costs
<b>Less than 50m2</b>	Non-homeowners with income less than 50 % of the average income of urban households	National Gov't Budget 40% NHF 40% Recipient 10% Construction Firm 10%
<b>50m2 ~ 60m2</b>	Non-homeowners who have national housing subscription savings accounts and whose income less than 70% of the average income of urban households	National Gov't Budget 20% NHF 40% Recipient 30% Construction Firm 10%
<b>Greater than 60m2</b>	Non-homeowners who have national housing subscription savings accounts and whose income less than 70% of the average income of urban households	National Gov't Budget 10% NHF 40% Recipient 40% Construction Firm 10%

Source: chung 2011

### ***Financing mechanisms***

Financing for the construction of the National Public Rental Housing was covered by national government budget, the national housing fund, recipients and the construction firms as per the size of the room (Chung, 2001). (See table above)

### ***Lessons learned***

- Different types of rental units are constructed for different target groups; different in area, year of rent including permanent rental units.
- Different financing mechanisms including recipients of the rental units.
- Introduces 'national housing subscription savings accounts' to be opened by future tenants and make them save some amount of money monthly in advance; so that they will be given the units.

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## Chapter Four

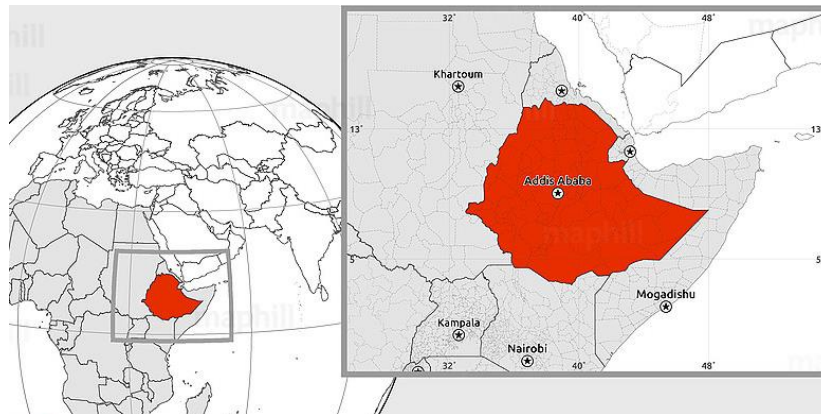
### CONTEXTUAL BACKGROUND

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#### 4.1 Introducing Ethiopia and its Capital; Addis Ababa

Ethiopia is Located in north-east part (horn) of Africa, 8 00 N, 38 00 E; the country covers an area of 1,128,176 sq. km out of which 1 million sq. km land and 104,300 sq. km water. Ethiopia is the second populous country of Africa estimated 85 million with diverse people speaking many languages. Administratively Ethiopia is divided into nine regions and two chartered cites. The regions have a significant degree of autonomy. The capital city Addis Ababa is a chartered city; it is the biggest city in the country. Located at the geographic center of the country Addis Ababa covers an area of 54,000 ha of land, and is the administrative and commercial center of the country.

Fig. 4.1 Location of Ethiopia and its capital Addis Ababa



Source: Maphill 2011

Ethiopia is and has been among the poorest nations of the world, the Ethiopian economy is highly dependent on the agricultural sector. Recently Ethiopian economy has been mentioned as one of the fastest growing economy, but still it is highly dependent on the agricultural sector. Ethiopia with 5-6% estimated growth of urbanization per year is currently the least urbanized country with only 16% (current estimates put it 18-19%) of its population living in urban centres.

Addis Ababa being the capital and the important city of Ethiopia, it is where the major economic activity is held, it is exchange place for imported goods, exported goods and locally consumed goods, it is the financial hub of the country. Addis Ababa with 2.9 million people (2007) is composed of different ethnic group from all part of the country. It is also where the Africa union and many other diplomatic organizations resides, the city is the scene of many international conferences.

## **4.2 Rental Housing in the Context of Housing Development of Ethiopia**

Studies on the housing and land sector of Ethiopia suggests to see the case in three different period each representing different administration period; before 1974 the imperial era, 1974-1991 the military regime and after 1991 the current period. During the first era before 1974 housing was given less attention and land holding and housing supply can be characterized by the feudal land holding system in which land and housing were predominantly controlled by the feudal land owners. After the 1974 revolution, following the socio-economic and political structure change there was a change in housing and land administration. The proclamation issued in July 26, 1975, stated all extra (rented) house and urban land were expropriated from their former owners to the government without any direct compensation. Following this proclamation the government becomes solo provider and owner of rental housing.

Starting from the political power transition in 1991 till current day there have been several attempts made in the housing sector, starting from introducing a more market-oriented housing and privatization development approach to current day widely implemented integrated housing development mainly administrated by the government. It is within this framework that the historical development of the housing sector will be discussed in this paper.

### **4.2.1 The rental housing sector before 1974 (imperial period)**

According to researches the real estate sector in Addis Ababa is highly associated with the land tenure system of the city, which has passed through different tenure systems, the land tenure arrangement before 1975 was developed according to the feudal regime of the time, where by the king proclaimed as the sole owner of urban and rural land (Daniel, 2013). After the establishment of Addis Ababa as the permanent capital of the country in 1887, emperor

Menilek in 1907 issued land decree which allowed both locals and foreigners who have permission from the emperor himself to buy land in Addis Ababa; temporary occupation of land were also transferred in to permanent occupation through time; a principle which was also adopted by his successor emperor Haile Sellasie. This leads to private possession of extensive land by few landlords which intern causes the lack of land for those newcomers to the city, during this period 5 % of the population owns 95% of the land, only 23.3% of households' owned their dwellings while 66.8% of them were renters (Frew, 2013).

Wubshet, in the journal of EEA, explained the origin of real estate development based on the periods of land tenure and administration in the past (Wubshet, 2004). Pre 1975 was the private landownership period, where by kings provided 'Gult<sup>8</sup> and Erist<sup>9</sup>' ownership systems for land lords and peasants respectively (Daniel, 2013). These proprietors operated as estate developers in the meantime, resulting the built up of mud houses for rental purposes (Wubshet, 2004); this resulted informal substandard rental housings, which has played a crucial role in meeting the housing demand of the time (Elias, 2008). Just before 1974 these housings accounts for two third of the housing stock of Addis Ababa Elias citing Wubshet (Elias, 2008). To solve the problem caused by these substandard housings two financial organizations were established for financing the purchase of residential buildings in 1965, the Imperial Savings and Home Ownership Public Association (Frew, 2013).

As described by Wubshet et al, the pre 1975 period was the very beginning of a real estate form of housing development. A large number of houses were constructed during this period by the will of landlords in the form of rental purposes (Wubshet, 2004). This period can be marked as the starting point of rental housing.

#### **4.2.2 The rental housing sector from 1974-1991(socialist oriented military government (Derg) period**

Following the revolution the military took over power and established a military government, it was in 1975 that the most important proclamation affecting urban land and housing was proclaimed, proclamation No.47/1975 namely "Government Ownership of Lands and 'Extra'

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<sup>8</sup> ownership systems for landlords

<sup>9</sup> ownership systems for peasants

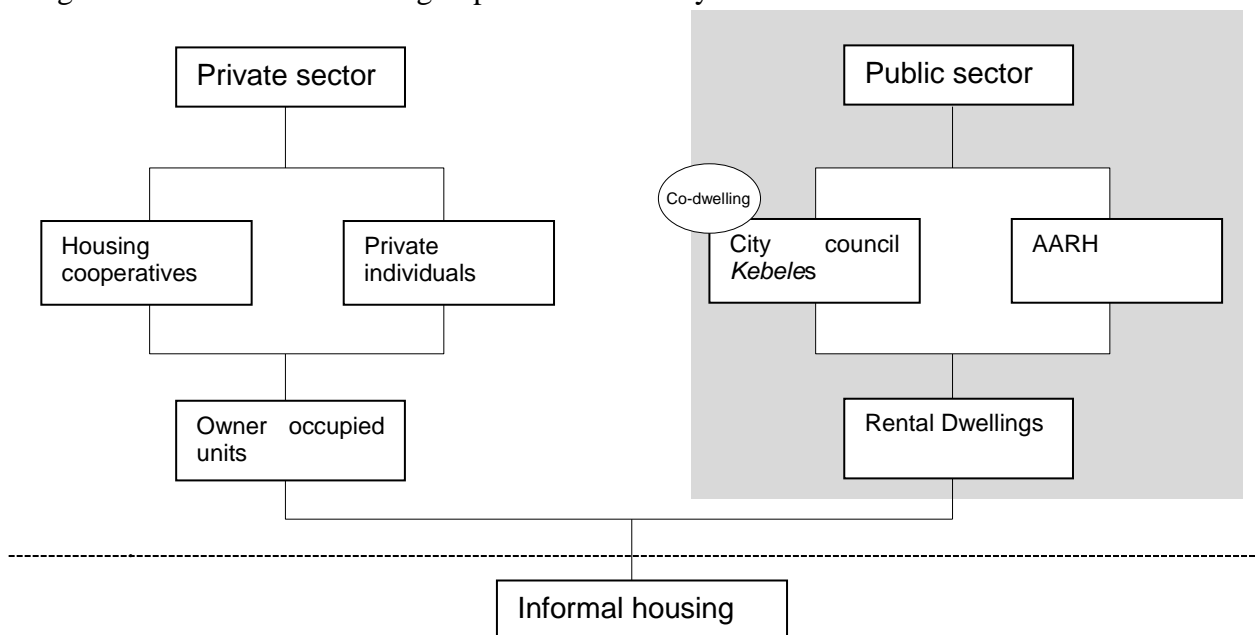
Houses” (Elias, 2008). According to the proclamation private ownership of land and houses for the purpose of renting was outlawed (Elias, 2008). All extra housings that were owned and rented by individual owners were nationalized, ending the relationship between tenants and landlords; this means a person with more than one housing unit had to choose one for his/her residence and the rest become property of the public (Ashenafi, 2001). Though this was done without any direct compensation; a person who did not have any other source of income of not more than Birr 200 was compensated with monthly salary ranging from Birr 5 to Birr 250 in respect to his/her former income from renting the house (Ashenafi, 2001). This period can be marked as the birth of public rental housing and decimation of the private rental sector see fig 4.2.

As a result of this proclamation and the economic and political system of the time the nature of the housing sector underwent significant/radical change, and the effect is still reflected today. According to the registration of ownership of housing during this period about 62% of Addis Ababa housing stock was public property (Ashenafi, 2001), and according to the recent housing census conducted in 2007 about 25% is still public property.

For management, promotion supply and maintenance purposes a hierarchical structure of urban dwellers association (*Kebeles*, keftegnas, etc.) and the Agency for the Administration of Rental Houses (AARH) were established (Ashenafi, 2001); the *Kebeles* were given the administration of housing units with rent value of less than Birr 100 this gives the *Kebeles* control over 90% of the total government-owned housing stock. Their task was rent collection, maintenance, low-cost housing construction, and payment of allowance to previous owners. The Agency for the Administration of Rental Houses (AARH) was given the management of housing units with rent value of more than Birr 100 (Ashenafi, 2001, Elias, 2008).

Apart from management both organizations were given the task of building new rental housings for the poor, but in practice the *Kebeles* constructed none or very few houses while AARH financially better; constructs only 3156 low-cost houses, 38 apartment and 87 villas between the years 1976-1992 (Ashenafi, 2001).

Fig.4.2 Main source of housing in post-revolutionary Addis Ababa



Source: Adopted from Ashenafi, G. (2001)

Though the rental sector was only provided by the public; co-dwelling was also another form of rental market, provided by the dwellers of newly government owned houses which was accounted as illegal until the legal notice (No. 194/1986) which legalise co-dwelling. This legal notice according to Frew opened the rental market anew though it causes severe overcrowdedness and disappointment for the former owners who did not have other income and used to rely on house rent. They became forced to live on the meagre allowance they were entitled to (maximum up to Birr 250), while the current renter-landlords (former tenants) benefited from the co-habitation regulations, earning much money by subletting their rooms with exorbitant monthly rents (Frew, 2013).

#### 4.2.3 The rental housing sector from 1991 to current day

In 1991 with the coming to power of EPRDF ends the Marxist regime in Ethiopia and established a more free-market oriented economic system, opening a new era for the rental sector. The private rental sector revived, delivering majority of the new housing stocks of the city, according to current study conducted by the master plan office of Addis Ababa the sector accounted for 37% of the total housing stock of the city; while the public rental sector remained the same.

Despite the change in government and economic system both the state ownership of the nationalized land and housing continued. Article 40 paragraph 3 of the constitution stated:

The right to ownership of rural and urban land, as well as of all natural resources, is exclusively vested in the State and in the peoples of Ethiopia. Land is a common property of the Nations, Nationalities and Peoples of Ethiopia and shall not be subject to sale or to other mode of exchange.

Following this in 1993 the EPDRF led transitional government introduced lease land administration through its Urban Land Lease Proclamation No.80/1993. It was within these two frameworks that the Addis Ababa city Administration (AACAA) issued urban land lease legislation in 1994. According to this legislation real estate developers were given 60 years of lease term and private builders 99 years; this later was recognised as discouraging real estate consumers and the lease term for real estate was changed to be 99 years with the proclamation No. 272/2002 issued in 2000. Regarding lease price the legislation, No.2/1994 provided a 90% reduction for those who build rental houses with monthly rent amount up to birr 100 and 10% reduction for rental amount of birr 600-800.

Regarding government owned houses the change both in government and economic system did little about their ownership and management. In February 1995 the EPDRF led government gave recognition to the previous proclamation issued by the military government (Derg) that creates government owned houses by taking extra houses from the private owners. According to the proclamation No. 112/199 properties taken by administrative fiat, directives, written and oral orders by the different organs of the military government in violation of the proclamations No. 47/1975 were reconsidered for privatization, and to handle the case the Ethiopian Privatization Agency later renamed the Privatization and Public Enterprise Supervising Agency was established (Frew, 2013). The complexity of the characteristics of the houses coupled with the lack of institutional, legal and human resources make the process to never materialize (Elias, 2008).

### **4.3 Current Rental Housing Market in Addis Ababa**

Like in many other cities the rental housing market in Addis Ababa incorporates both the private sector and the public sector; though different in all aspect from other rental markets of

the world cites. As discussed in the introduction part of this chapter the formation of the public rental sector in Ethiopia as we know it today is an accidental one; associated with the coming to power of a socialist government. The private rental sector which predates the public sector was the basis for public rental sector through nationalization act introduced by the socialist regime. The private rental which has passed through different land tenure, administration and market system have seen a rise and fall to reach the stage where it is now, while the public rental sector remains as it was; only with some minor changes. What is needed to discuss here is the current appearance of the two sectors mainly their characters, conditions, extent and rent price; the point to learn being comparison of the two sectors in quality and affordability.

### **4.3.1 The private rental sector**

In general, the rental market constitutes the biggest housing market in the city with a share of 58.77% of the total. Within this, the private rental market accounted for 268,779 units or 37%. The response of the private rental sector is purely market driven. As a result of the serious shortage of housing in the city and the increasing cost of life, individual house owners had to respond to the opportunity by renting part of their house, their service quarters or building new rooms within their premise. The flexibility of the units, going from a single room with shared facilities to full-fledged independent multi-story houses, has made houses in this sector the most preferable by many mainly households (Abraham W.et.al, 2015). Such a dramatic increase from 62,528 units in 1994 to 222,384 units in 2007 is seen in 4.1.

This is the rental submarket that is created by people who rent part of their house or build additional units to supplement their income or protect their money from inflation. Between the two census years (1994-2007) this has been the most dynamic housing market producing about 38% of the total housing stock in the city. As we can see in table 4.1, while the share of most of the sub-markets sharply declined, the private rental has increased dramatically. As diverse the landlords in this sector are (from big real estate developers to people renting their spare rooms) the tenants too are from different income group, ethnicity, age group, family size and religion (Abraham W.et.al, 2015). Housing units delivered by this sector are also different in rent price ranging from 100 Birrs/month to units rented in dollars. The housings delivered also are of different in structure, quality, service provision and quantity.

Table 4.1 Housing census of 1994, 2007 and forecasted for 2011

Type	1974		1984		1994		2007		2011	
Population			1,423,182		2,112,737		2,738,248		3,040,740	
	Dwelling units in each census year									
	No	%	No	%	No	%	No	%	No	%
Owner occupied	72,478	30	85,765	33	128,997	34.4	205,196	32.6	243,322	33.3
<i>Kebele</i> Owned	134,784	57	140,250	54.1	142,095	37.9	148,645	23.6	428,812	58.8
AAHR Owned	9,493	4	16,027	6.2	9,277	2.5	11,388	1.8		
Rented from private HH	-	-	-	-	61,256	16.3	222,384	35.4		
Rent Free	-	-	15,500	4.8	29,464	7.8	37,293	5.9	44,375	6.08
Occupied different rent							799	0.13	3,301	0.45
Other	19,657	9	3,653	1.4	3,653	1			9,352	1.28
Not stated							3,281	0.52	501	0.07
<b>Total</b>	<b>236,412</b>	<b>100</b>	<b>259,555</b>	<b>100</b>	<b>374,742</b>	<b>100</b>	<b>628,986</b>	<b>100</b>	<b>729,663</b>	<b>100</b>

Source: CSA as cited by Abraham W. et.al (2015)

### ***Affordability***

Because the sector is diverse in the housing types it delivers and the price for the units; it is difficult to summarize and present the rent price and user groups; a housing study team appointed by the Addis Ababa master plan office has attempted to understand the phenomenon by taking two cases. The cases chosen for study are rent price in the public build and transferred housing sector (condominiums) and rent price in the informal housing sector. These are two different housing types mostly preferred for rent by different income groups. The data gathered and presented by the team represent the rent price and affordability of the sector since the cases chosen for the study represent two pillars of the sector. I have incorporated the edited version of the study bellow. The team collects its data from the Addis Ababa housing agency and from interview held with brokers.

*Rental prices in the IHDP as a “build and transfer”-model:* this is about those houses that are built by the government and transferred to individuals at a highly subsidized rate when rented to a second hand renter. As we can see in table 4.2, the average monthly market rental price of a “studio type” unit ranges between Birr 1500-2500 while three bedroom type reaches up to 4000 Birr. Depending on the location of the project within the city and on the

location of the unit within the building (ground floor being the most preferable). If one has to pay 30% of its income for rent he/she should have a monthly salary of 5000 Birr for the studio type and more than 10,000 Birr for the three bedroom units (Abraham W.et.al, 2015).

Table 4.2 transfer price vs. market rental and selling price of condominium houses in the city

Typology	Price per M2	Average area	Selling price	Related costs	Transfer price	Market rent	Market selling price
Studio	1450	30.58	44,341	1365	45706	1500	150,000-250,000
One bed room	1865	42.57	79,393	1654	<b>81047</b>	1500-2000	200,000-350,000
Two bed room	2280	66.68	152,030	2252	<b>154282</b>	3500	450000-600,000
Three bed room	2385	78.04	186,125	2533	<b>188658</b>	4000	<b>600000-1,000,000</b>

Source: Abraham W. et.al (2015); Addis Ababa Housing Sector Study

*Rental prices in the informal housing sector:* From field survey conducted by the study team a two room unit of 15m<sup>2</sup> area located in Hana Mariam informal settlement fetches a monthly rent of Birr 500. Again, a single room of 3mx3m in one of the illegal settlement in Bole area rents out for Birr 300/month (Abraham W.et.al, 2015). If one has to pay 30% of his income for rent, who can afford the first house are people whose net monthly income is Birr 1666. For a daily labourer whose monthly income is about Birr 1000 (birr 50 per day for five days a week and 20days a month) or a public sector employee getting the minimum wage of Birr 425/month, the option remains to share a room among two or more families. If one assumes that the average construction cost of a “Chika house” is Birr 1000, the 15m<sup>2</sup> housing unit would cost the owner 15,000 Birr. However, renting this house for Birr 500/month, the owner would collect his/her whole investment in 30 months which is 2.5 years (Abraham W.et.al, 2015).

### 4.3.2 The public rental sector

The public rental housing sector is formed by the nationalization act of extra land and housing by the previous socialist government in Ethiopia in general and Addis Ababa specifically. So far it provides the most affordable housings in the city; with a price ranging from less than 10 Birr to thousands based on the quality of the units it provides. Following

the nationalization rent price for the units was reduced by up to 50% (Yonas, 2003). Attached with the nationalization act two institutions were formed for the administration of the nationalized housings; *Kebele* which is the smallest administration body of the government was given the administration of housings with rent price of less than 100 Birr and AGH by then AARH was given the administration of housings with rent price higher than 100 Birr. The change in government has not brought any change regarding these houses; they are still managed and administered by the same institutions with minor changes and attempts to privatizations which did not materialize in any form. Housings under the two administration bodies will be discussed separately below.

### ***Kebele houses***

It is difficult to tell the exact number and percentage of this sector out of the total housing stock of the city currently; for the reason that the sector being the major point of redevelopment undertaken by the government in the old parts of the city. According to housing and population survey conducted by CSA there were 148,645 *Kebele* owned housing units in 2007 accounting 23.6% of the total housing stock of the city (see table); The forecast for the year 2011 remaining almost the same. According to Elias 2008, majority of these houses are located in the old inner-city Lideta, Kirkos, Arada, Addis Ketema and some parts of Kolfe-Keranio, Gulele and Yeka sub-cities holds 70% of these houses (Elias, 2008); a reason for the sector to be point of redevelopment by the government.

Following the nationalization, rents for *Kebele* owned houses in Addis Ababa were cut by 30% for about 80% of the residents to increase affordability for the low-income households. The low rental charges however left little room for investment in the *Kebele* houses resulting in physical and structural deterioration owing to the lack of appropriate management and maintenance ultimately creating the first step of the “Spiral of Decay”, Substandard Houses (Wondimu, 2011). At present, although a new government now rules and over four decades have passed since the proclamation in 1975, the nationalized houses remain to be under the ownership of the state still administrated by the *Kebeles* (Elias, 2008). Bulks of the existing houses are either beyond repair or far below optimal standards, are in a continuous state of deterioration and exhibit lack of crucial facilities like toilets, kitchens, electricity and drainage immensely affecting the health and living conditions of the inhabitants (Wondimu, 2011).

*Affordability:* As mentioned above after the nationalizations of the houses rent price was reduced by 30% making the houses affordable even for the very poor households of the city. According to Elias 2008, More than 82% of the *Kebele* owned houses were rented below 30 birr per month (See Table). This indicates the low level of affordability of the dwellers and the poor housing conditions of the houses (Elias, 2008). With price level remained unrevised, the total amount of rent collected per month from all *Kebeles*, which is equivalent to 1,732,817 ETB is far below the demand for housing maintenance and new construction this has contributed for the low standard of *Kebele* houses (Yonas, 2003).

Table 4.3 *Kebele* housing, amount of rent

	Range of house rent in Birr					
	<1-10	10.01-20	20.01-30	>30	Amount Unknown	Unknown, whether they should pay or not
Percent	63.92	11.28	7.01	16.67	3.40	2.19

Source: Adapted from Addis Ababa City Administration (2004) as cited by Elias (2008)

#### ***Agency for Government Houses (AGH)***

Unlike the previously dealt keble rental housing AGH (Agency for Government Houses) is a centralized agency that administrates public rental housing in Addis Ababa and Dire Dawa. Before 1985 the agency used to administrate 30,500 houses in 91 cities all over Ethiopia, in 1985 when it was decided that regional states should administrate houses within their boundaries the agency remains with 20,000 houses in Addis Ababa and Dire Dawa, both federal cities. Majority of the houses administrated by the agency are nationalized houses based on proclamation 47/1967; there are also different types of houses constructed by the agency ranging from single story houses to big apartment blocks. Besides constructing houses the agency has also participated in self-help housing by providing loans to people; the agency has financed the construction of 1614 self-help houses in Addis Ababa.

Because of redevelopment and other reasons the agency has lost around 1000 houses (5% of its holdings) in the past five years. Currently it is administrating 11,614 residential units, 5360 units rented for different private and public institutions and 1673 open parcels rent for commercial purpose; both in Addis Ababa and Dire Dawa (AGH, 2015).

*Affordability:* As AGH was established to administrate nationalized houses with rent price higher than 100 ETB; Relative to *Kebeles* it provides good quality of houses. The rent price is higher than *Kebeles*; but still it is below market price. Providing big villas, apartments, houses rented for free and houses rented in USD the agency collects 300,000,000 ETB per year from its 16974 housing stock and 1673 open parcels (AGH, 2015). Many houses are rented for 100-500 ETB; there are also houses rented below 100 ETB. Considering the quality of the houses; this indicates that the houses are affordable.

#### **4.4 Current Public Housing Programs**

Though currently there are no PRH programs running in the country; there are huge public housing programs. Starting from 2004 for the last ten or so years public housing programs are major housing supply mechanism in Ethiopia in general and Addis Ababa specifically. In Addis Ababa it was in 2004 that the first pilot project was introduced; with the help from German Technical Cooperation (GTZ) and administrated by Addis Ababa Housing Development Project Office (AAHDPO) (Elias Yitbarek & Yonas alemayehu, 2011). This program is called Integrated Housing Development Project (IHDP) (ibid). After IHDP the Addis Ababa City Administration launch the grand housing program; the plan was to construct 250,000 public housing units within five years; 50,000 units a year. Through the program the city administration achieved the construction of only 170,000 units after 10 years. Reasons for the low performance of the program are many; shortage of finance and shortage of construction materials are major reasons identified by ministry of works, urban development and housing. To tackle these problems and continue producing public housings the ministry office introduces a new housing policy and strategy in 2005.

Apart from cooperative housing and real estate development by the private sector the ministry document introduced three kinds public housing programs; named 10/90, 20/80 and 40/60 (MUDCH, 2012). The programs are designed in a way they can facilitate saving culture by the public. According to their favourite program registered applicants will have to save 10%, 20% and 40% of the total construction cost for 10/90, 20/80 and 40/60 programs respectively within some amount of time mainly 5 years. People have registered for these different public housing programs according to their income and saving capacity; around 800,000 applicants have registered only for the two programs (20/80 and 40/60). What is

presented here is the financing mechanism and land provision for the programs so that we can see and learn available resources for later proposal.

#### **4.4.1 Financing Mechanisms**

Financing of the programs is through saving and the involvement of the Commercial Bank of Ethiopia (i.e. bond financing). As mentioned above the programs are three fold; each for different income groups; the lowest income group is expected to save 10% of the construction cost as a down payment and the remaining 90% will be covered with loan from CBE; to be paid in long term with little interest. Applicants for the second program (20/80) have to save 20% of the down payment in duration of 2 to 5 years and CBE will provide the remaining 80% to be paid in a same way as the 10/90. The third program (40/60) is mainly intended for the middle income groups who have the capacity to save the 40% and get the remaining 60% from CBE. The amount to be saved is calculated from the total construction cost of the unit and the percent to be saved will be divided with five years to know the amount to be saved per month.

#### **4.4.2 Land provision**

According to the policy document; Land for such housing schemes and related services and infrastructure will be free of charge (MUDCH, 2012). Such houses will be built in areas where they contribute to urban image creation and vertical and intensive development will be promoted. The preparation of land shall go along with the structural plan and local development plans of the city (ibid). It should also be made taking in to account the city's plan for reconstruction of old city parts. The cost of land will be recovered through the sale of commercial units that will be built as part of the whole package.

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## Chapter Five

### CASE STUDY

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#### 5.1 Agency for Government Houses (AGH)

##### 5.1.1 Establishment of AGH

AGH was established in 1968 following proclamation 47/1967; a proclamation that nationalized all extra houses and lands the agency was given the authority to administrate nationalized houses with rent price of more than 100 Birr. Before its establishment in 1968 with proclamation number 59/1968 it starts to administrate the houses in 1967 named “housing administration enterprise” under the ministry of national resource development one of the minster offices back then (AARH, 1987). Following the proclamation in 1968 it was established with a new name “rental houses administration enterprise” under ministry of works and housing; a new minster office established to execute proclamation 47/1967 and stayed under the minster office until 1986 (AGH, 2015).

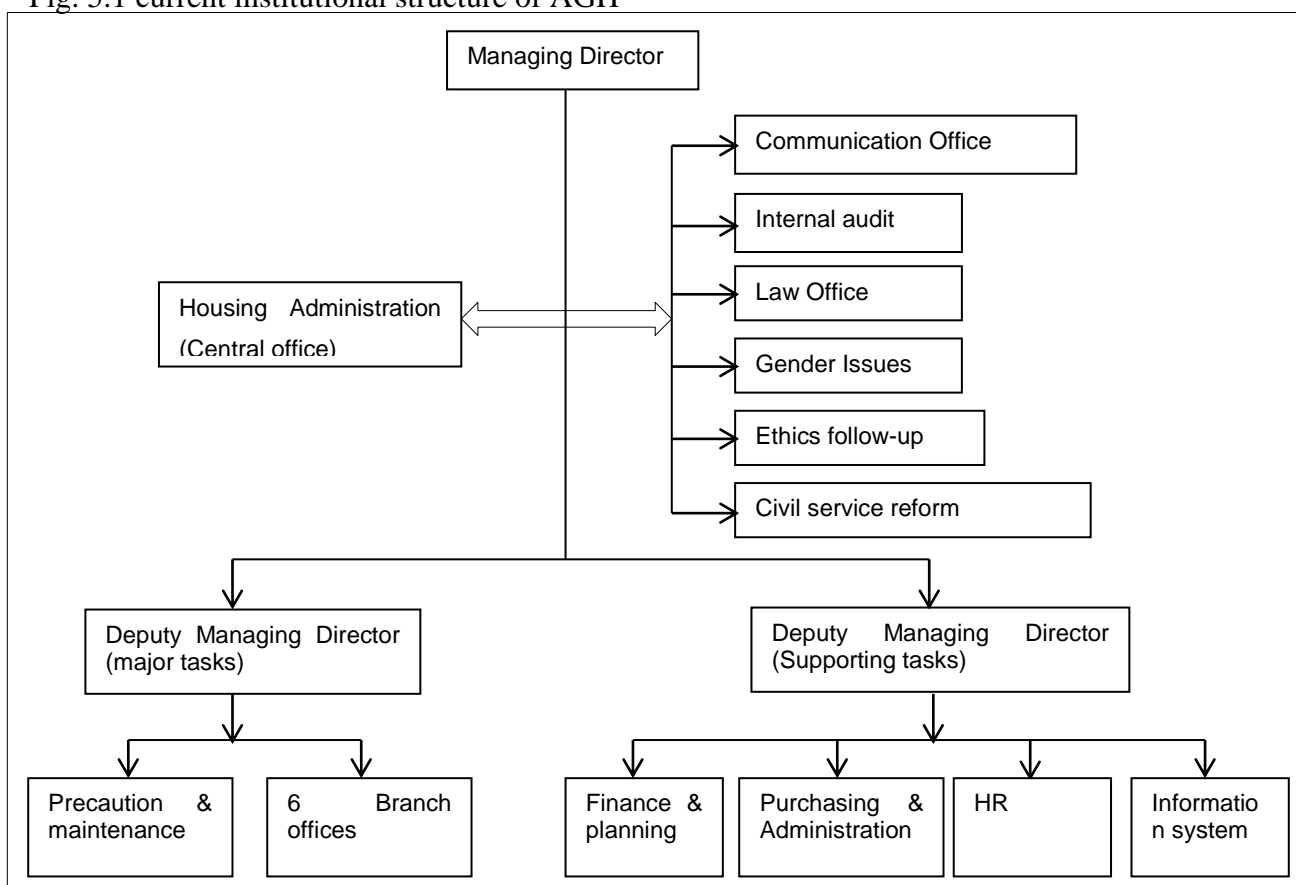
After the coming to power of EPRDF the agency have gone through different administrative changes; based on proclamations introduced by the government. In 1986 it was decides to put the agency under the prime minster office and stayed there until a new proclamation was introduced in 1991; proclamation 133/1991 which puts the agency under ministry of works and urban development again. Proclamation 471/1998 is another of those proclamations that gives the agency its current name Agency for Government Houses (AGH) by dissolving it with privatization agency; which was established to privatize government houses. The last proclamation issued was proclamation 555/2000 which puts the agency under the federal civil service government employees’ law administrated under the ministry of works and urban development (currently named ministry of urban development and housing). Before this last proclamation the agency was recognized as one of the government development enterprises and was administrated by board members (AGH, 2015).

### 5.1.2 Current organizational structure

Previously during the socialist government, which help create the agency (AARH) construction of houses for rental purpose was one task given for the agency apart from management and administration of nationalised units. The organizational structure back then includes civil and construction departments. The change in government has brought different changes to AGH organizational structure at different times, figure 5.1 is the current organizational structure; as can be seen there are no departments concerned with construction.

The organizational structure is also not well established for handling administration and management of rental housing estates. When compared to other similar cases found in different countries this one is more focused on administration of staffs and the agency.

Fig. 5.1 current institutional structure of AGH



Source: official website of the agency ([www.agh.gov.et](http://www.agh.gov.et))

Note: this is the translated version; translated from Amharic to English by the author; for the original version refer to appendix III

### **5.1.3 Housing Management**

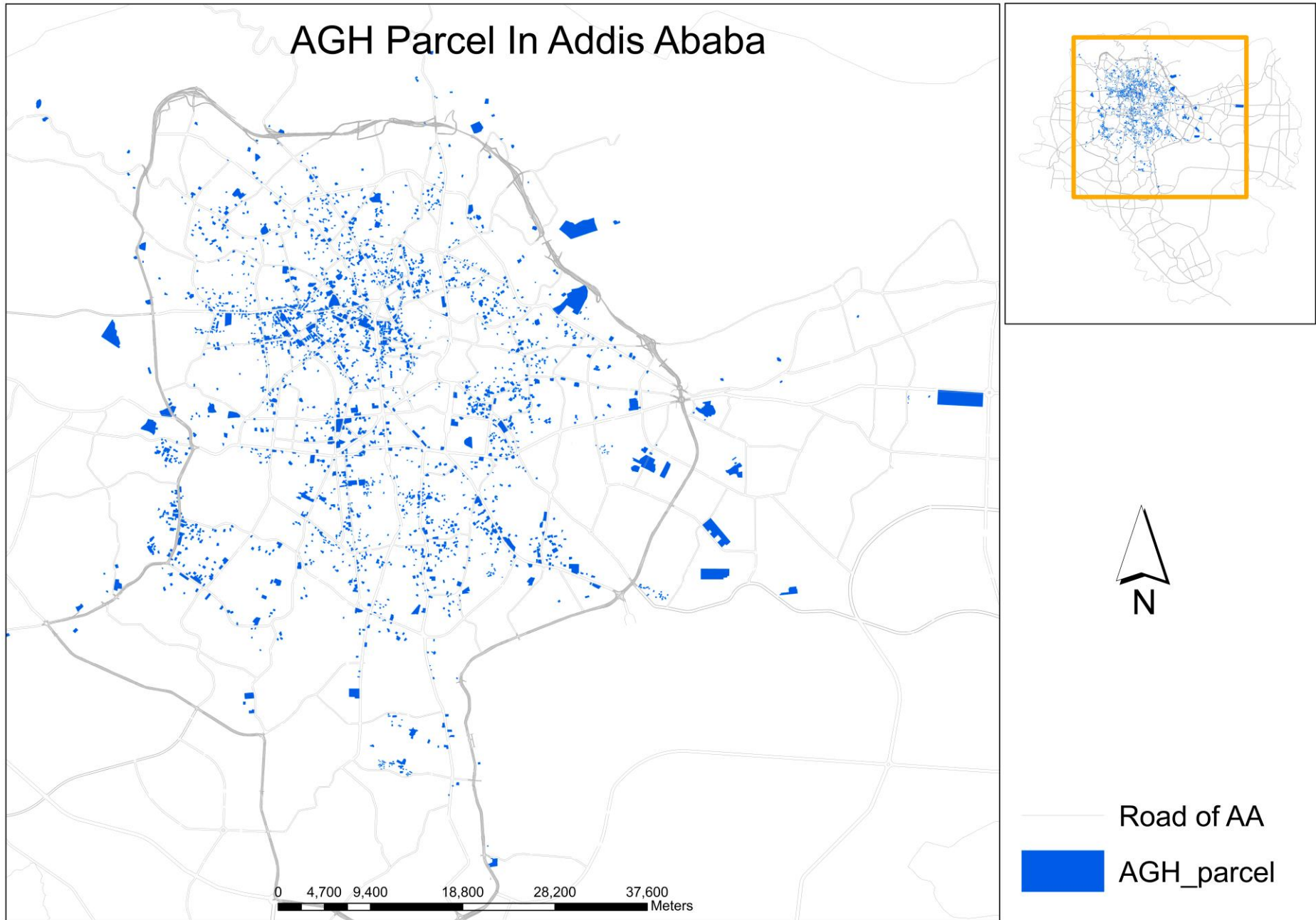
As can be seen from the institutional structure chart, major tasks of the agency regarding housing are administration, management and maintenance. The six branch offices located in different part of Addis Ababa and Dire Dawa are responsible for maintenance and administration of the agency houses. These six branches all have same structure and responsibility; rent collection, maintenance, security, management and administration of buildings and common spaces are among the major tasks of the branches.

Among the six branches five are in Addis Ababa and one is in Dire Dawa; and one of the branches in Addis Ababa is called special branch (Diplomatic branch) which is responsible for administration and management of houses rented for diplomats and government official. Unlike the remaining four branches the administration boundary of this branch is not geographic it follows the special tenants; in some cases this branch may have only a single unit in a given apartment block.

### **5.1.4 Basic resources (land and money)**

The agency collects 300,000,000 ETB per year from rent, with no revision of rent price and some houses given to tenants with no rent at all (high government officials) (AGH, 2015). There are also house rented with us\$ like CMC apartments. Starting from its establishment in 1968 the agency has collected around three billion Birr and has been supporting the central government with this money. Currently the agency has close to 500,000,000.00 Birr in closed account (ibid). Considering the number of rented unites and open parcels (i.e. 18,647), a unit is worth 1340 ETB per month on average. But this is based on the assumption all units are rented equal, in fact the rent policy of the agency indicate that rent price for residential units and commercial units are not the same and the commercial units worth much more that the residential ones.

Another important resource possessed by the agency is land; the agency currently administrates around 440 hector of land within the city; majority of it is in the city centre. It can be said that almost all land of the agency is within the ring road (see map below).



### **5.1.5 Rent setting**

One of the duties of the agency is to study and set rent price, based on this the agency have been preparing and introducing different methods for calculating rate of rent at different times. According to a manual prepared by Ministry of Urban development, Housings and Construction in 2014; these methods of calculating rent price lacks uniformity and the houses of the agency were rented with prices calculated based on these different rent setting methods; which causes the disorder. For this reason the Ministry decided to introduce one rent setting and calculating manual which is in effect starting from 2014. Through discussions with residents and officials I have learnt that this rent standard did not materialize yet. But this can be an indication for the need of rent update.

Based on this manual the minimum rent price for one square meter of the agency houses is 20ETB and 10\$ for houses rented in dollars for diplomats; taking this as a base price rent is calculated based on three factors; location, area of the houses and service quarters and quality of the house. The manual gives details on how to set the price based on location and quality.

#### ***Location factor***

Based on the suitability of places for residence; the manual have three levels of locations within the city that are in different level of suitability. Mainly houses closed to the CBD of the city are considered level one, and there rent prices is also the highest. Rent price increases when the location is closer to the CBD and decreases as it goes out of it.

#### ***Area factor***

The minimum rent price for one square metre of the agency house is 20 ETB this price is used to calculate rent price for houses with area up to 30m<sup>2</sup>, by taking this as a base price as the area increases the price decreases. When the area is more than 30m<sup>2</sup> the price for the first 30m<sup>2</sup> is calculated based on the base price (20 ETB/m<sup>2</sup>) and for the remaining area there is a deductible percentage from the base price; this percentage increases as the area increases.

### ***Quality factor***

Four factors are considered as to how to decide the quality of the house;

1. structure and external wall material,
2. wall plastering material, window, door, ceiling and floor finish material
3. sanitary quality and material and electrical installation quality and material
4. parking, any service quarter, external traditional kitchen and number of bedrooms

### **5.1.6 Tenant selection criteria and target group**

Currently the agency provides housing only to government officials. Previously it has no clear target groups; anyone who can prove he/she has no home elsewhere can register for the agency houses and the houses were given out in respective to date of registration. The last waiting list of the agency shows around 15,000 people applying for the agency houses.

Government institutions like Addis Ababa University, Ministry of defence, House of People Representative etc. are among the clients of the agency; they rent the houses for their employees. Private institutes and companies also rent the agency houses for their office and residence for employees. The agency also rent out shops and open parcels for different purposes and clients.

### **5.1.7 Condition of AGH houses**

According to unpublished documents<sup>10</sup> found in the agency; many houses of the agency are in poor conditions demanding big repairs and maintenances. The agency currently allocated around 35% of its budget for repair and maintenances. The poor conditions of the houses are associated with services like sanitary pipes, electricity wires and cracks on walls and slabs; only few houses have big structural problems.

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<sup>10</sup> Report on two years performance of AGH 1999 EC

### **5.1.8 Current power and duties of AGH**

According to proclamation 555/2000 The Agency shall have the powers and duties to:

- 1/ rent out Government Houses under its control and collect the rent thereof;
- 2/ carry out necessary maintenance and repair works to preserve Government Houses;
- 3/ give and execute expulsion orders to tenants of government houses who have breached their obligations under their lease contracts and to persons occupying such houses without having any lease contracts; enforce, as may be necessary, the demolition of illegal construction works undertaken on government houses and possessions;
- 4/ pay allowances, in accordance with Proclamation No. 47/1975, to persons whose extra houses are nationalized;
- 5/ study and implement the rate of rent for the Agency's houses;
- 6/ where necessary, construct houses to be used for government services;
- 7/ undertake studies on the valuation and payment of compensation relating to government houses which the Government has decided to privatize;
- 8/ execute the privatization of Government Houses in accordance with modalities approved by the Government;
- 9/ pay appropriate compensation to former owners from the proceeds of the sale of government houses in accordance with Article 18 of Proclamation 47/1975 and the decision of the government;
- 10/ create conditions which facilitate the successful completion of the process of privatizing Government Houses and the payment of compensation;
- 11/ own property, enter into contracts, sue and be sued in its own name, including settlement of disputes through arbitration;
- 12/ undertake such other duties necessary for the implementation of its objectives;

(Proclamation No. 555/2007, Agency for Government Houses Establishment Proclamation .....Page 3952, FEDERAL NEGARIT GAZETA OF THE FEDERAL DEMOCRATIC REPUBLIC OF ETHIOPIA) (FNG, 2007)

As per the above proclamation, the agency undertakes construction only when asked and it will be special houses that could be used by the government. These means the agency is banned from developing rental housing for the public. Though the agency is given some specific tasks like studying and implementing rate of rent it has failed to do so; the last rate of rent was studied and prepared by Ministry of Urban Development, Housing and Construction and given to the agency for implementation which still did not materialise; these shows weakens on the agency side. Another task which the agency fails to implement is privatisation, but this may be associated with decisions at the central government.

### **5.1.9 Current government policies and strategies regarding PRH and AGH specifically**

Though there are different polices related to housing what is chosen here to be highlighted is the new housing policy and strategy (HPS); a more recent government housing policy and strategy under implementation. What is presented here is a summary of issues related with PRH from the new housing polices and strategy document.

#### ***The new Housing Policy and Strategy (HPS)***

This policy was prepared in 2005 E.C. having four main parts. The first part deals with the problem of urban housing, factors affecting the sector and the need for a housing policy and strategy. The second part deals with the policy's vision, goals and guiding principles. The third part is the core of the policy: urban housing policy and strategy and the fourth part is about the roles and responsibilities of stake holders and implementing agencies.

The document did not present PRH as a housing delivery strategy; in fact it is only on detail policy issues the document presents the future of existing PRH units. The document has presented the future of government houses under both *Kebeles* and AGH. Below is extract of the section of the document about the future of houses under AGH.

#### ***Government houses under AGH administration***

*Aim of the proposal:* To improve the land use efficiency of such houses so as to create a better living condition to residents

*Proposed Policy issues:*

- The utilization of apartments under the agency should be presented to the government and will be decided how to proceed.
- Information and data of the houses under the agency will be collected and centralized with the help of modern technologies; administration and management of the houses will be transparent and fair. Options will be studied to decide who the target groups should be.
- Residents of those houses to be demolished through renewal can be accommodated in condominium houses according to their paying capacity.

*Proposed Strategy issues:*

- For those residents whose houses will be demolished through renewal and are willing to buy condominium houses; ways will be devised to get loan from banks.
- Residents/tenants will be made to come together and discuss their differences and challenges so as to make everybody beneficiary from the houses and environment.
- Technical and bylaw support will be given to residents/tenants to help them manage and administrate communal services and resources.

*Challenges of the policy:* The housing sector study team for the Addis Ababa master plan; have studied this policy and point out the challenges. One of the challenges as per the study team is ‘That the policy is still in favour of “ownership promotion” housing strategy (Abraham W.et.al, 2015) with the exception on privatising state owned houses.

**Conclusion**

The policy document did not give any specific conclusion on the future of the agency houses specifically and the public housing sector generally. Nonetheless; there are many points discussed in the document general and specific issues that could help change the policies’ view towards PRH. Some of the issues are:

*On Specific aims of the policy:*

- Achieve secured provision of housing and infrastructure through the coordinated effort of **all stakeholders** (this could mean AGH also)
- Provide a conducive environment for the creation of an **efficient housing market** (PRH could help here by stabilizing the rental market)

*On guiding principles:*

- Housing development should take the efficient utilization of urban land into serious consideration. The unnecessary sprawl of cities towards the agricultural area should be controlled and development should take place on already serviced but inefficiently used land. (AGH have already serviced and inefficiently used land)
- Housing development should guarantee justice and transparency: every citizen should have the right to own or have access to affordable housing. (PRH could be one solution)
- Housing development should address dilapidation and overcrowded living environment: old and dilapidated settlements should be targeted for redevelopment and new development in such areas should promote mixed housing bringing different income groups and other compatible activities into the area. (AGH have old and dilapidated houses)

## 5.2 Case Studies

### 5.2.1 Apartments constructed by AGH

A total of 16 apartment projects have been constructed and transferred for users by the agency (AGH) at different times (mainly before 20 years ago); these 16 projects have a total of 91 building blocks. Many of these projects are located at the centre of the city many on bole road. Out of the total 16 projects 13 of them are located along this road (see map below). According to the key informants; this is mainly associated with the period of construction; the construction of all apartments starts during the previous government, almost 25 years ago. Availability of land and government intention to change the city image; are among the reasons of choosing bole as a project area. CMC is one project by the agency which is different in all aspects from the rest of the projects; it is located far out of the city centre to the south east of the city. Named after the construction company; CMC apartments are constructed for diplomats of different countries who came to Ethiopia for work.

Fig. 5.3 Apartments constructed by AGH along Bole road



Source: The agency map; modified and prepared by the author

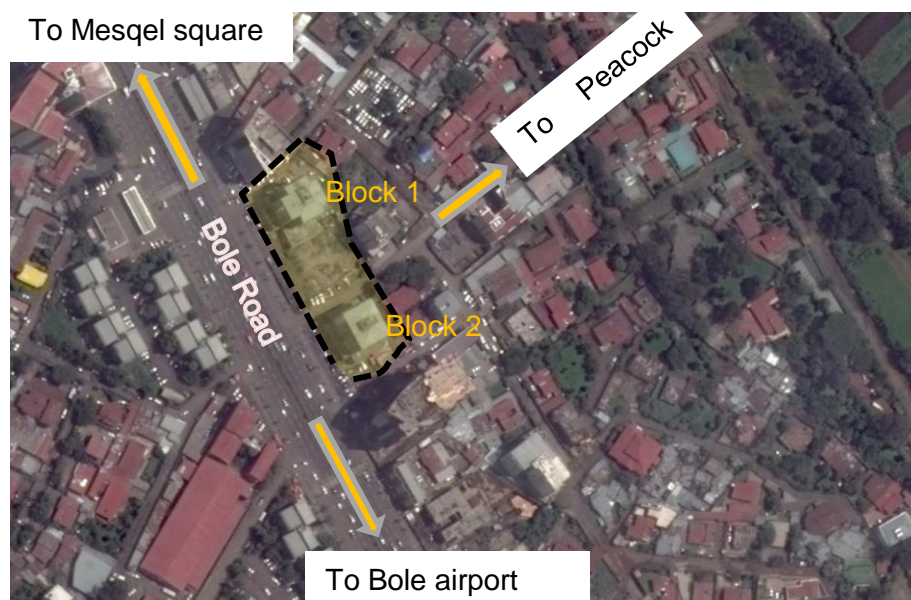
Fig. 5.4 Partial view of Apartments constructed by AGH



### 5.2.2 Apartment 16 (Case for development process)

Apartment 16 (Picok building) is one project by AGH; it is located along Bole road in Bole sub city Worda 18. Apartment 16 have 72 rental units, it has two blocks of G+8 buildings with ground and first floors rented for banks and shops. It is the last apartment project by the agency; it's planning and design work starts in 1987 during the previous government; the construction has taken 10 years and the project was finalized in 1997; after a change in government. The reasons for delay are mainly associated with shortage of construction materials.

Fig. 5.5 Location map of selected case are; Apartment 16



Source: Google earth satellite image 2015

#### *Development process*

To study the development process of Apartment 16 available box files in the agency archive and some employees who were involved in the project were approached. Ato Lakew who was

the agency supervisor on the project was approached as a key informant. In addition Ato Asnake who has been employee of the agency for 27 years was also interviewed though he was not involved in the project.

*Project inception:* According to the key informants Ato Lakew and Ato Asnake plan to construct apartment 16 comes from the central government. AGH which was under ministry of urban development and construction (the current ministry of urban development and housing) back then was given direct orders from the ministry to undertake the project. According to Ato Lakew who is currently maintenance officer of the agency and was supervisor on the project; the ministry was the one who draws the whole development process and contacts the agency for execution. Accordingly the agency was not involved in any of the process except providing the money needed.

Fig. 5.6 Key informants for development process of apartment 16



*Target group:* During the project inception, specific target group for the apartment was not set by the ministry office; that was responsible for the planning of the project. According to Ato Lakew and Ato Asnake Apartment 16 was constructed for who can afford paying the rent to be set and the plan was to give out the units according to the waiting list.

*Land acquisition:* The ministry office which also has more power and say in the Addis Ababa city administration back then was the one who selected the site. After discussions between the ministry and the city administration the site was approved and handed over to the agency. The agency did not pay any amount of money to get the land.

*Financing mechanisms:* The project (apartment 16) which costs around 14million ETB was fully financed by the agency; according to interviewed key informants Ato Asnake and Ato Lakew the agency financed the project with money collected from rent.

*Design and construction:* The design work for ‘Apartment 16’ and many of the projects were directly awarded for Construction Design (CD) which was government-sponsored enterprise. The project was awarded for the enterprise without tender and procurement process. According to the informants apart from government policy the limited number of private consultants and construction companies had also influenced the government to directly award the project for the enterprise. Construction Design was also later responsible for the supervision works.

The design has changed; the original design was two apartment blocks connected with a podium that has a purpose of gallery, bank, restaurant and shops.

Fig. 5.7 Original design and constructed after change



Original Design



After construction

Source: Blueprint found in AGH archive

The construction was also awarded without any tender document to government sponsored construction enterprises. The excavation and structure work was constructed by Prefabricated Building Parts Production Enterprise one of the government construction enterprises, the work was awarded with 2.2 million ETB. After the completion of the structure works the rest of the work was given to Awash Construction Enterprise; another government-sponsored construction enterprise. The construction work according to the Key informants has taken 10 years.

*Pre occupation and occupation:* During the construction there was a change in government; following this change the target groups also changed from people on the waiting list to auction; the houses were transferred through auction, the base price for a unit was 20 ETB/m<sup>2</sup>. The bidders were anyone interested and can afford the base price; it was the first time for the agency to transfer rental residential units through auction.

*Post occupation and management:* After construction and occupation the management was left for the agency. Including the previously constructed and nationalized houses the agency is still responsible for the management of the houses.

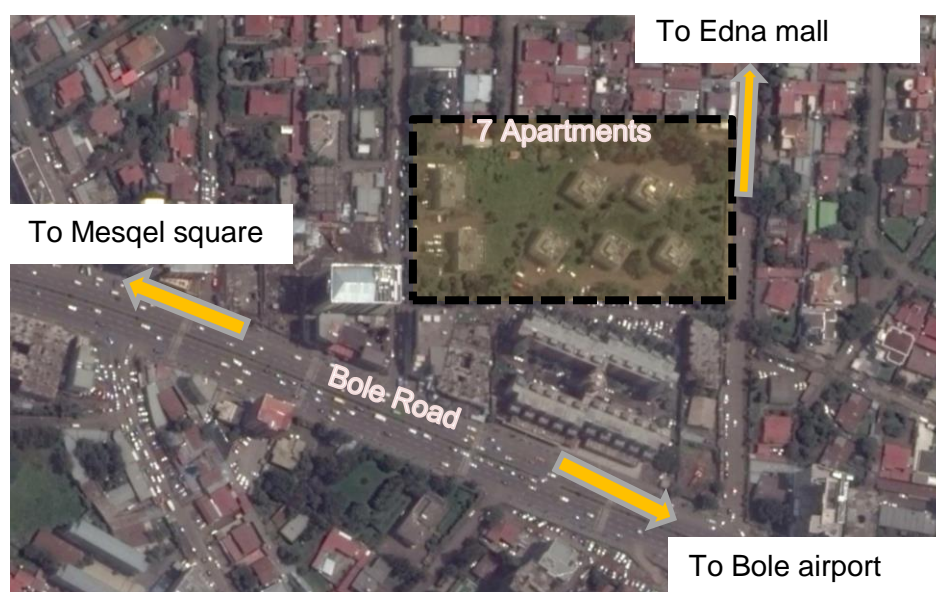
*Challenges:* According to the interviewed informants the following three points were challenges faced during the project:

- There was no involvement by the agency on the whole project; except the financing and post occupation management.
- There was shortage of construction materials
- Delays
- Price escalation
- Finally the agency did not achieve to give the houses to the target groups.

### **5.2.3 7 apartments (Case for tenants socio-economic profile and measuring tenants satisfaction)**

‘7 apartments’ is one of the projects by the agency; it is located along Bole road in Bole sub city woreda 17. It is a neighborhood formed by seven apartment blocks with a green courtyard in the middle. All seven blocks are G+3 buildings with four units on a floor; some of them have basements used for communal services; it have a total of 112 apartment units.

Fig. 5.8 Location map of selected case area; 7 apartments



Source: Google earth satellite image 2015

### ***The house and the tenants***

*Year of occupation:* 50% of tenants who have been interviewed have been tenant in their current house for 6-10 years and 25% for 15 years and above. Many of those 50% tenants with 6-10 years of stay have been renting another house of the agency before they move to 'Apartment 7'. These coupled with the 25% shows that the agency houses are occupied with specific group of people for a long period of time. According to residents who participated in the focus group discussion, there are also tenants who have another home elsewhere, many of whom start building after renting the agency house. The agency never revised its rent contract so tenants don't leave their units even after they finished constructing their own houses.

*Type of tenancy:* 87% of tenants are individual renters; they have the house registered under their names. While the remaining 13% have it registered under institutions like AAU, Ministry of Defense, Ministry of Foreign Affairs, HPR and one private association called Eth. Private medical association. Though illegal there are also third party tenants, which according to participants of the focus group discussion are not small in numbers.

### ***Income and expenditure***

36% of interviewed families earn more than 5000 birr monthly while 54% earns 2000-5000 birr and only 9% says they earn less than 2000 birr. The collected data indicates that 90% of the respondents are employed out of which only 3.3% are self-employed. 46% of them have cars while the remaining 54% did not. In terms of expenditure 93.3% of respondents sent their children to private school out of which half of them pay more than 10,000 ETB per year.

As discussed above there are tenants with their own home elsewhere and 64% of interviewed tenants have registered for home ownership program mainly for 40/60. Average percent share of rent out of family total income is only 5%.

### ***Social status***

*Family head:* 50% of interviewed family heads are 31-45 years old while 50% are >45 and out of the interviewed family heads 73% are men while 27% are female. Many of these families; 55% of interviewed have 3-5 family members and only 4 are bachelors.

*Migration status of tenants:* All of respondents who have been interviewed confirmed that they are permanent residents of Addis Ababa, 61% moved to the city before 15 years and

above and 5% says they have been resident of the city for 10-15 years while the remaining were borne in the city.

### ***Future plan/priority***

When asked their plan if they got money 66% of respondents say they want to buy their own houses and 64% say they have registered for the new housing program. But when asked if they have plan to leave their current houses 60% of respondents say they don't have plan to leave while the remaining 40% says they have a plan to leave if they got another house of their own.

### ***Tenants' satisfaction towards the management and services delivered***

A total of 30 families have been approached as respondents to this questionnaire; number of respondents varies from question to questions. The questionnaire for measuring tenant satisfaction was prepared in four parts; housing and services, tenants contact with the agency, repairs and maintenance and communication and information.

*General Service provided by the agency:* All 30 households have responded to this question; 15 of them answered they are fairly satisfied with the general service provided by the agency while 9 of them responds they are very satisfied with the service. Only 1 respondent is fairly dissatisfied while the remaining 5 responds they are very dissatisfied with the service provided.

Table 5.1 Tenant satisfaction with quality of houses

	<b>Satisfied</b>	<b>Neither</b>	<b>Dissatisfied</b>	<b>Total number of respondents to the question</b>
The overall quality of your home	24	3	3	30
The general condition of this property	20	2	8	30
This neighbourhood as a place to live	25	0	5	30
The value for money for your rent	28	0	2	30

*Quality of the houses and their conditions:* Out of the total 30 respondents 12 are very satisfied with quality of their units while another 12 say they are fairly satisfied. Many tenants are also satisfied with the neighbourhood and value of rent; see table below for number of respondents for each questions and total number of respondents.

*Security of neighbourhood and units:* As it is the agency that provides security service tenants were asked their satisfaction towards the security of the neighbourhood and their units. Out of the total 30 respondents 25 says they are very satisfied and feel safe about their neighbourhood.

Services provided by the agency are only core management tasks (traditional landlord functions) When questions like tenants' attitude towards advice on rent payments, support provided to new tenants and support provided to vulnerable tenants were raised many interviewed tenants responds they have no clue or the don't know about it. This means that services provided by the agency are limited to core services like rent collection, repairs and maintenance.

Table 5.2 Tenants' satisfaction with different issues of housing and neighbourhood

	<b>Problem</b>	<b>Not a problem</b>	<b>Total number of respondents to the question</b>
Rubbish or litter	8	22	30
Noisy neighbours	4	26	30
Pets and animals	0	28	30
Disruptive children/Teenagers	0	28	30
Drunk or rowdy behaviour	2	26	30
Vandalism and graffiti	6	22	30
People damaging your property	4	22	30
Drug use or dealing	0	20	30
Abandoned or burnt out vehicles	2	24	30
Other crime	0	20	30
Noise from traffic	9	17	30
Car parking	6	22	30

*Services in detail:* Many interviewed tenants says problem like car parking, garbage and noise are not much of a problem in their neighbourhood. Out of the total 30 respondents who answers the questions related to rubbish or litter 17 says not a very big problem; this is because it is the community association that deal with garbage collection and disposal. Another big problem mentioned is noise from traffic; out of the total 26 respondents 9 says it is a very big problem.

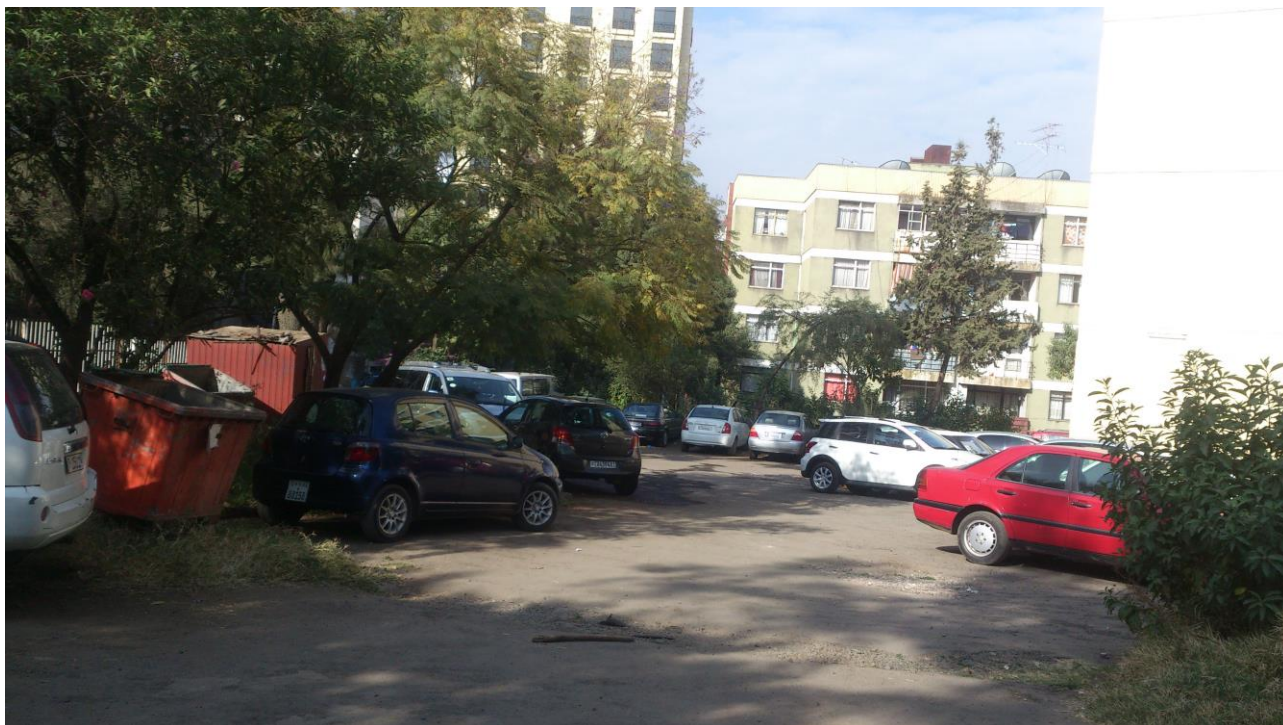


Fig. 5.9 clean environment and enough parking spaces

*Repairs and maintenance:* According to the data collected the agency has bad record in repairs and maintenance; interviewed respondents almost all said they have contacted the agency for repair and maintenances but the agency did not responds. Out of the total 17 respondents who have contacted the agency for repair and maintenance in the last 12 months all says their request was not answered or considered.



Fig. 5.10 external faced of the houses were repaired recently; see the scaffolding used for the maintenance work on the ground.

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## Chapter Six

### FINDINGS AND IMPLICATIONS

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#### 6.1 Analysing the Context

##### 6.1.1 Current government housing policy as a challenge

It has been more than 25 years since AGH has stopped constructing new houses; this is mainly associated with the change in government. The previous socialist regime which nationalized privately owned houses and become the sole provider of rental housings allowed AGH to construct PRH units for the public. After the change in government brought change in economic policy the private sector took responsibility of providing rental units for the public; this and other reasons has made AGH out of the business of constructing new rental housing units.

Despite the huge demand of rental units in the city, housing polices and strategies designed by the central government have ignored the rental option. The current housing policy and strategy introduced in 2012; which is in favour of “ownership promotion” has nothing to say about the rental sector in general and PRH specifically. When stating about the future of PRH units under administration of AGH the strategy paper reads as follows:

‘The utilization of apartments under the agency should be presented to the government and will be decided how to proceed.’

Even though this is government stand point on PRH on policy documents; there is a new proposal to build low cost PRH units for poor households of Addis Ababa (see appendix E); it is an interview given by the minster of Urban Development and Housing to a local newspaper; reporter. Though many things are not yet clear about the program the minster has made it clear; the houses will be for those who can’t afford to own houses with available housing programs. Another document introduced by the central government is the power and duties of the agency (AGH); where in the section about construction of new rental units it says:

‘Where necessary, the agency will construct houses to be used for government services’

### **6.1.2 Existing resources as a potential**

Including *Kebele* houses majority of the central land of Addis Ababa is occupied by PRH units. AGH have 440 hectare of land in the city centre; almost all properties of the agency are located within the ring road; where land value is relatively high and have well developed infrastructures. But this land of the agency is fragmented in different parts of the city centre (see Fig. 4.4). This huge hectare of land could be a good potential for future development. Buildings are different type; ranging from single storey villas to high rise apartment blocks, but many of them are low rise buildings with large compounds; there are only around 117 apartment blocks. According to the agency report many of these buildings are currently in bad conditions and needs high maintenance and repair.

Another potential is rent money collected by AGH and *Kebele* houses, AGH currently collects 300,000,000 ETB per year from rent and have saved half billion ETB in closed account and all *Kebeles* in Addis Ababa collect 1,732,817 ETB per month. This money coupled with land occupied by AGH and *Kebele* houses is strong potential for future development.

### **6.1.3 Why Public Rental Housing?**

The production of public rental housing in many countries has declined for reasons associated with management and finance. The low rent price and poor rent collection has failed to compensate the high investment cost and cover the cost needed for repair and maintenance. This financial problem coupled with the big management work has made PRH the least preferred housing program in many countries. But there are countries who manage to enjoy the full benefits PRH has to offer, especially countries in Asia. Cites like Honk Kong and Shanaghi have used PRH to overcome overheating housing market caused by the private sector, provide short term housing for those who will be owners in the future, benefit those really in need and answers the unfairness question in housing market. In the case of Addis Ababa we have all these problems mentioned above; rent price is increasing at an alarming rate (see the section ‘current rental housing’ in contextual background) and; we have young and migrant workers who needs temporary affordable shelter which the private sector fails to deliver let alone affordable but adequate. The provision of PRH can benefit Addis Ababa’s housing market by:

- Stabilising the rental market
- Increasing the housing stock
- Answering short term housing demand

We have already witnessed the benefit of PRH in Addis Ababa through Keble and AGH houses, around 25% of the city housing is provided by these public institutes. They are the most affordable housing units in the city even though they are labelled below standard. According to study done by housing sector study team of the 'New Addis Ababa Master Plan Office'<sup>11</sup> a 15 m<sup>2</sup> private rental unit made of wood and mud is rented for 500ETB per month in Hana Mariam, the same size of unit is rented for 2ETB per month from Keble and it is located in the city centre. One can easily see from this figure how much the poorest of the poor are benefiting from such PRH units.

One may also ask, why Public Rental Housing? Since we have another public housing program under implementation; to answer this question we must analyse the situation of the program. Firstly, the construction volume of this public housing is quite limited; therefore it is still far from sufficient to cover the actual need. With almost ten years of implementation the program achieved the construction of 200,000 units which is considered small when compared to the number of applicants; the number of registered applicants for the new public housing program is 944,473 people. Therefore increasing the housing stock by any means will be supporting the housing market. The private sector provides 37% of the housing stock of the city; with increasing rent price and fear of eviction it is this 37% of renters that are registered for the public housing program. By providing low rent temporary PRH units it is possible to postponed this big housing demand.

Secondly, the program achievement depends on the saving capacity of applicants; registered applicants have to save some percent of the cost of their future unit. Many of these applicants are renters in the private sector this makes saving difficult since people have to pay for current rent and future saving. If one has to spend 30% of his/her income on housing, a family who rent the 500ETB/month house in Hana Mariam and registered for 20/80 3 bed room (have to save 600ETB/month to collect the 20%) has to earn 3666ETB/month. With low rent price PRH helps increase saving capacity of applicants which in turn increase the

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<sup>11</sup> Addis Ababa and the surrounding Oromia Integrated development plan project office

realization of the public housing program. A family who rent the 2ETB/month keble house and registered for the same 20/80 3 bedroom should earn 2006ETB which is more viable regarding income of the city residents.

## 6.2 Development Process of Apartments Constructed by AGH

### 6.2.1 Actors and their roles

There is no private sector involved in the development process of Apartment 16; design and construction were also handled by public consultants. Apart from the construction company all of the actors have involved in the development of all of the agency’s apartments.

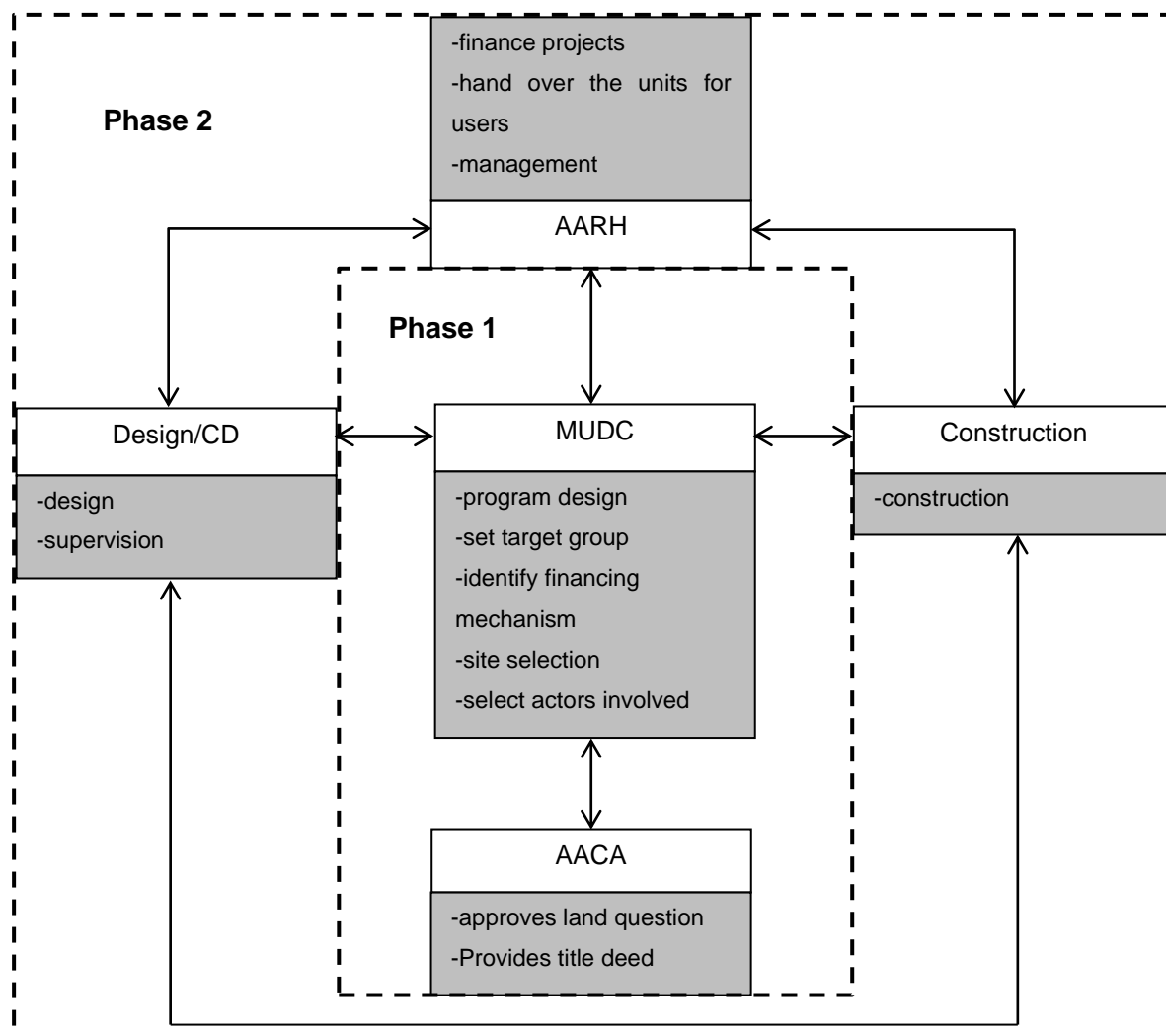


Fig 6.1 development process for Apartment 16

The involvement of the central government (MUDC) have benefited the development process by facilitating the connection among involved actors, this has worked because all involved

actors were public institutions. According to informants it has also created unnecessary long process, but major problem was it has made AGH weak and inexperienced in handling such projects. In many countries (see the case of Honk Kong) it is the housing authorities (in this case AGH) that undertake the whole project.

The current situation which is very much different from the previous allows room for the involvement of different stakeholders. Currently there are financial institutions, local and international construction and design firms, micro and small scale enterprises, that are involved in housing development; these and the fast growth of the construction industry creates diversified stakeholders in the housing development sector. One thing that has not changed is the institutional structure AGH it is still under 'Ministry of Urban Development and Housing'. Though things are not clear yet it is this ministry office that is planning and running the new PRH program (see appendix E).

### **6.2.2 Program and target group**

There was no formal program proposed during the development of the apartments; issues like whom the renters will be, for how long they will rent and future of the apartments were left undecided; the same was true in apartment 16. Because of these it is even difficult to define the program; it is not low-income housing (social housing) since tenants are not neither low income nor need social assistant. It is also difficult to categorize tenants to any social specific group; there are civil servants, rich business man and companies renting the apartments.

In apartment 16 the target group was registered applicants on the agency waiting list; which latter was changed following the change in government and the units were transferred to users through open auction; where anyone interested could participate. This has made the houses occupied by very different groups of people. The finding on the study of tenants also shows this reality; current tenants of the agency's apartments are very diverse (see the section 'tenants' profile'). Currently there is a new proposal to build PRH units and the target group are identified as poor people who can't afford to register for available home ownership programs.

### **6.2.3 Financing mechanism**

AGH; the then AARH financed the construction of its apartments; money collected from rent was the financing source for the apartment projects. For apartment 16 the agency financed around 14million ETB; without support from any financial institution. Cross-subsidy from the non-residential component built as part of the project was also part of the financing mechanism. Money collected from its huge housing stock was what made the agency financially self-sufficient back then. Many PRH projects internationally are constructed with loan and direct government funds; in Hong Kong the housing authorities have become financially self-sufficient through time. Becoming financially self-sufficient for such institutions is very important especially in country like ours where there is no well-developed system of financing housing projects.

With current construction cost and the agency big spend on repair and maintenance it is difficult for the agency to finance the construction of apartments currently; it may have to wait until it becomes self-sufficient again. Currently banks are major sources of financing housing projects; public houses are financed with public banks while private real estates are financed only by private financial institutes. The current public housing programs are financed by CBE and the beneficiaries (through mortgage financing); CBE provides low interest loan to the beneficiaries to be paid in long term. The beneficiaries save some percent of the construction cost in CBE's closed account. The cost of land and infrastructure is compensated through the sale of commercial unites built as part of the programs.

### **6.2.4 Land acquisition**

Land for apartment 16 was identified and processed by MUDC which was also responsible for the project idea. MUDC which also had decision making power in the administration of the city of Addis Ababa selected most of the sites for such development and approved them with the city administration. The city administration did not get any payment neither from MUDC nor AGH; currently AGH has possessed title did for the properties. According to informants availability of land makes development on new sites possible and preferable during the time contrary to redeveloping the existing low rise buildings. Currently government intention to change the city image and lack of serviced land has make redevelopment especially of the city centre necessary. Large parts of the city centre are now being redeveloped through public housing programs. These city centres are where more than

80% of existing PRH units located; the redevelopment programs are mainly focused on *Kebele* houses. AGH has lost only 1000 of its units during the last five years through the public housing program and other public development programs. AGH has now around 440 hectare of land in the city centre.

Current public housing programs in Addis Ababa are handled with collaboration between different government organizations; regarding preparation of land for such development it is the city administration that identified areas for development, handles compensation, relocation and clear the land which then will be transferred to Housing Development Bureau (HDB) which handles the construction.

Should the program (PRH) continue; this development process must change, because everything is different now. Land has become scarce in the city, finance is also scarce and AGH is not self-sufficient. Actors involved in housing development are also different now; currently there must be some level of public-private partnership.

### **6.2.5 Program evaluation**

Based on definitions of social housing and public rental housing, the program under study cannot fully be regarded both as social and public rental housing. From inception the program has failed to identify specific target group let alone considering low income people who really need social assistance. The target group set was the general public, even currently there is no specific target group; tenants are not people who needs social assistance (see the next topic).

Even though it is the system back then to be blamed the program did not involve the private sector during the development. Involving the private sector through public-private partnership would have brought creativity and decreases beurocratic process. The role that should have been played by AGH was also undertaken by the central government which has created additional beurocrtic processes and made AGH inexperienced in handling such projects. Financially AGH was self-sufficient; which was a very important issue for the realisation of the projects, though it needs a hard work to make it possible currently.

## **6.3 Current Tenants of the Apartments**

### **6.3.1 Tenants and target group of the agency**

Currently all apartment units are rented out for different purposes and people; the units are rented for shops, offices and residential purposes. Residential units are rented for different types of people; the tenants can be categorized as:

- Government officials renting for free
- Government institutions renting for their staffs
- Private institutions renting for their staffs (only in CMC apartments)
- Individual renters

In the case apartment all kinds of the above mentioned tenants are found except government officials. The agency changes its target group; initially the apartments were constructed for the public which may be represented with 'individual renters' and through time it incorporates the other three kinds of tenants. Recently AGH have changed its target group and have decided to rent only for government officials (see appendix E). Renting units for shops and private institutions has made the agency financially beneficiary since it charges better price for those units. In many other countries such publically funded housing units are occupied by specific group of people; manly the poor who can't afford to access housing in the market.

As the study result shows many tenants have become permanent residents of the units they occupy. As the agency did not have period of tenancy in its contract; once renters occupy a unit they remain in that unit until they apply for exchange and get approved. In the case apartments 50% of interviewed renters have been occupying their units for 6-10 years and 25% for more than 15 years. In other countries such as Honk Kong and Korea; PRH units are rented for specific time which then will be transferred to another user; PRH mainly in those countries is a temporary shelter. According to the FGD, in the case apartments there are people who own another home and many renters are economically good to afford a home in the market.

### **6.3.2 Socio-Economic profile of current tenants**

According to the finding tenants are mainly from middle and high income groups of the society. In the case apartments 36% of interviewed families earn more than 5000 birr monthly while 54% earns 2000-5000 birr and only 9% says they earn less than 2000 birr. This shows tenants are middle and high-income families. Such publically funded public houses are mainly provided for the low income households in many countries. Other factors were also tested to measure the income of the families in the case apartments; 46% of households own cars and more than 90% send their children to private schools. In cities like Addis Ababa where 66% of the population is low income and where there is a huge housing shortage providing such housing units to the middle and high incomes seems unfair. Though this has created social mix it is done at the stake of providing such units to poor households. According to the 2011 CSA analytical report on consumption and expenditure rent constitutes 22.2% of expenditure out of the total expenditure of a house hold (CSA, 2012). In the case apartments rent is only 5% of total expenditure, this is because of two reasons the low rent value and the high income of tenants.

The study finds that tenants are not low-income households, migrants, young, female headed family and people with different priorities than housing. According to literature many renters including those renting private houses are from the low income group mainly because they can't afford to own a house through the market price. Regarding renters of PRH they are people who can't afford to rent a decent house through the market; which makes these group the poorest of the poor. But the research finding shows that renters in the case apartments are not low income; many can afford to rent in the private sector; it is only 26% of them that can be regarded as low income; earning bellow Birr 4680 per month. It is only 4% that are below poverty line earning less than Birr 3000 per month.

Another character of renters is that they are young; since these are persons who start life anew it is too soon for many of them to own their own housing; so they rent. In the case apartments it is only 13% of them who are young<sup>12</sup>; may be they were young when they occupy the units since many of them have stayed there for more than 10 years (see the section year of occupancy). Another renter's character is that they may be migrants for the same

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<sup>12</sup> According to UN Habitat young is the age 15-32

reason as being young migrants also rent at first. Cities in china for example provides PRH for skilled migrants to increase the city competitiveness and attract more skilled manpower. In the case of AGH apartments there is no such program and renters are permanent residents of Addis Ababa.

Table 6.2 Tenants character

<b>Character of tenants</b>	Low income	Migrant	Female headed family	Young	People with Non housing priority
<b>Percent</b>	26	0	27	13	34

Generally; renters of AGH apartments are:

- Predominantly high and middle income families
- Permanent residents of Addis Ababa
- Mainly men headed families
- Mostly the age of 30 and above
- People who still sees housing as a priority

### **6.3.3 Should current tenants continue renting?**

To answer this question we should see tenants categorically, as mentioned above AGH have four types of clients' government officials, public servants, private institutions and individual renters. Regarding the first group there are public rental housing programs that serve this group in different countries but many are considered special programs and for security and other reasons this group is provided housing separately. In the case of AGH there should be other special program to house this group or the task of providing housing for the group should go to other institutions.

Public servants in many countries are also provided with public rental housing, this group in many countries is considered to have a minimum wage. In the case of AGH this group is provided by allocating number of units to specific public institutions and the institutions are responsible for selecting the renters. So AGH should continue renting for this group but should put some kind of mechanism so the institutions do not abuse it.

The third group is private institutions renting for their staffs; this group should not be target of such publically funded housing program. In the case of AGH this group may be considered as a subsidy mechanism since it charges better price for these units. But still the rent is to low when compared with the market price. So AGH should evict these tenants or charges a higher price so that it can rely subsidise the cost of management and maintenance.

Individual renters represent the right target group in the case of AGH but only for sake of categorisation. Based on findings this group is largely represented with households with high and middle income, some with their own houses and vary small percent of expenditure to rent ratio. AGH should evict those with their own house, increase rent price on those with high and middle income and introduce tenancy period so that this group leave the units after some period and units be transferred to those actually in need.

## **6.4 Management Performance of AGH**

### **6.4.1 Housing and services provided by AGH**

As the study result shows service delivered by the management body is satisfactory in several aspects for tenants. Quality and condition of houses, security of nieghbourhood and units, rubbish, parking, rent price and other services by the agency are found to be satisfactory for many of the tenants. I have also observed many of the physical aspects like parking, quality of building and environment and garbage are well handled in many of the apartments. In the case apartment (7 apartment) garbage collection and disposal is handled by tenants' community which was established recently. Garbage collection and disposal is where the biggest satisfaction recorded; around 73% interviewees are happy with it; this demonstrates how participating tenants strengthen management.

### **6.4.2 Repair and Maintenance**

In the case study 56% of interviewed renters say they have asked for repair and maintenance in the last 12 months but all of these requests were not answered by the agency. Even those renters who did not ask for repair and maintenance says they have some parts of their units which needs repair; they did not ask for it because they know their request will not be accepted. According to Ato Asnake who is head of maintenance and repair in the agency; major problem faced in repair and maintenance is the mismatch between the huge request and the little budget for maintenance and repairs. Another problem is the low level of tenant

participation in repair and maintenance; though there are some repairs that are allowed to be handled by the renter like room painting, internal sanitary works and small electrical works many renters prefer to report it to the agency than do it themselves. Another problem is nepotism, according to finding of FGD some people are favoured by the administration and get repetitive repairs and maintenances.

The low level of maintenance coupled with age of buildings has created the poor condition of the buildings. The apartments are currently in need of high repair and maintenance, the agency allocates 30% of its budget for this purpose which is still not enough to handle all requests. This is one of the problems faced by many countries mainly poor countries; but still there are some mechanisms used in different countries like increasing tenants' participation in repair and maintenance and increasing income of housing agencies.

#### **6.4.3 Should the management continue?**

The management should continue in ways it has registered good tenant satisfaction points like security, garbage collection and parking and try to increase tenant participation. Regarding repair and maintenance AGH should increase budget and tenant participation, currently 30% AGH's budget is allocated for these purposes, it may seem a lot but as major work of the management is repair and maintenance. The charity organisations proclamation expects 70% of budget to be non-administrational; in this case AGH should increase its budget for repair and maintenance at least to a minimum of 50%.

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## Chapter Seven

### PROPOSED STRATEGY

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#### 7.1 The Way Forward

In the previous chapter I have argued that we need Public Rental Housing and showed the advantages the city of Addis Ababa can get from PRH, the argument was done without providing rationales for the development of new PRH units and answering the basic issues, finance and management; in this chapter I will try to answer these issues through strategy proposal.

The rationale for PRH in the city of Addis Ababa can be derived from the nature of housing problem of the city and the character of PRH. Addis Ababa like any other city faces housing shortage, according to studies the housing problem of the city is characterized by huge demand and small supply. Above 50% of the city residence is labeled poor; the housing demand of this huge number of people is mainly answered by two key players, government and small-landlords mainly through rental option. For these reasons ignoring the rental market in Addis Ababa is a big mistake, but the real problem is how one can rationalize the need for PRH especially in a country where the government is already blamed for controlling the market. Considering the status of the private rental market might help here, the current rental market of Addis Ababa is market driven and dominated by small landlords. Rent value is increasing at an alarming rate and many poor families are forced to move out of the city center in search of cheaper rental units and the market in general is unstable. In such case PRH helps to stabilize the market (see the section ‘Advantages of PRH’) by providing additional subsidized rental units. Another point is “the developmental state theory” which the country is believed to follow, the basic essence of the theory is government intervention whenever market failure happens (in this case the private rental market).

These rationales coupled with the huge resources controlled by the government already existing PRH authorities (*Kebele* and AGH) could be a way out of the big housing shortage the city is facing. Following are recommendations as to how further develop PRH; the

recommendations are limited to program, financing mechanism, land, target group and management. The recommendations are based on experiences of other countries, the research findings and contextual reality.

## **7.2 Background**

The study and recommendations provided here are targeted towards AGH; it is a housing agency that has lost its previous role of providing rental units for the last 25 years. This has made the agency incapable of handling construction of new rental units with its current structure. So basic changes are needed to make AGH capable once again, like:

- New organizational structure that incorporates construction and civil departments
- New rent price so that it can collect fair and more money and make itself financially self-sufficient once again
- Identify new target groups and
- Adopt better housing management practice

Recommendations are given in this study for all the points except for the first one, which needs deeper study.

## **7.3 Program Design**

Land and money are the two most important resources needed in a housing program; based on the need of these resources different kinds of PRH programs for different target groups are proposed. As additional financing mechanism commercial and housing units for sell are part of the program. For finding appropriate land and maximizing inclusiveness of the program *Kebele* houses and tents are also considered in the program. By combining the resource of *Keble* and AGH this program tries to maximize finance and land.

Through the production of new PRH the program will increase housing stock of the city and support home ownership program through time. The new PRH units will serve only as transitional shelter for those who will be owners in the future. Through time some units will be privatized and transferred to the users which in turn will contribute to ownership. Based on these rationales of the program the following types of housing programs are proposed:

### **7.3.1 Type of programs**

**Rent to own units:** These are PRH units for the poor; and can be rented for 5-10 years which latter the renters will be given chance to buy and own them. The target groups for these units will be poor households that are not registered for existing homeownership program. The rent price for these units will be lower than market price and other housing types proposed here. Size of the units will be smaller than other type of units.

**Permanent PRH units:** These are major part of the program; they are permanent PRH units. The target groups for these permanent PRH units are different; and rents rent the units for some years to make sure the units are transitional housing. Rent price for these units will be below market but relatively higher than the rent to own PRH units. Renters of these units will be civil servants registered for home ownership programs, migrant and newly graduates..

**Sell out residential units:** These are apartment units for sell; the buyers of these units will be asked for some percent of the cost in advance. Apart from subsidizing the cost of the PRH units these houses will help to bring social mix. Selling price for the units shall be below market price.

The proportion of these units shall be as follows, for every 3 units of permanent PRH 2 units rent to own shall be constructed and for every five units of the two 1 sell-out units shall be constructed; this way AGH can subsidize cost without leaving its goal.

**Sell out commercial units:** As the development will be in the center of the city; these sell out commercial units will subsidize the development highly.

## **7.4 Development Process**

### **7.4.1 Actors involved**

AGH should take full responsibility in the new development and play decision maker role in all aspect. It should restructure itself in to a new housing development authority and add construction and supervision department to its structure. The central government in this case (Ministry of urban Development and Housing) should play only a supervision role and take AGH as another housing development bureau. The private sector will involve in design, construction and management work.

Private real estates and contractors shall be given opportunity to construct apartment blocks and sell it to AGH with profit. In this case AGH shall provide land without payment and play supervisory role in design and construction process. Amount of profit, selling price and delivery quality shall be discussed and agreed upon before handling the projects.

#### **7.4.2 Land preparation**

Including *Kebele* houses big portion of Addis Ababa city center is occupied by PRH units; AGH which has around 16000 houses controls 440 hectare of land. Though the area occupied by keble houses is not known there are more than 150,000 low rise *Kebele* houses. The land occupied by AGH is found fragmented in the city (see fig. 5.2); this may make it difficult to find regularized urban blocks that can accommodate blocks of apartments which have a neighborhood sense. But the agency land coupled with land occupied by *Kebele* houses can create such urban blocks. As the government's plan for *Kebele* houses is to replace them with new dense housing development; this could be also one way of doing it. As AGH took land occupied by *Kebele* houses it will also be responsible for the evicted tenants from those keble rental units and evicted tenants will be secured a rental unit on the newly built apartments controlled by AGH. Through time as this process continues the decentralized *Kebele* rental houses will move in to the centralized AGH.

#### **7.4.3 Financing mechanism**

AGH financed the construction of apartments 25 and 30 years ago without another source of finance. Currently it collects almost the same amount of money it was collecting back then this is because it did not revise its rent; this and the rise in construction cost will make it difficult for the agency to finance the construction of apartments currently. Still it collects 300,000,000 ETB per year and has saved half billion ETB. AGH should revise its rent price so that the rent increases and collect more money to finance new construction.

Experiences of different countries teach us variety of financing mechanisms like public funds, loans, subside and many other formal financing methods. There are two cases presented in this paper; the case of Honk Kong and South Korea where their financing mechanisms are out of the formal methods. Where in the former apart from the formal

methods; the housing authorities introduced sell out units to subsidize the cost of below market PRH units; which latter help them to become financially self-sufficient. In the later they use different financing mechanisms including contribution from the future renter of the units. What is proposed here is a combination of these different mechanisms

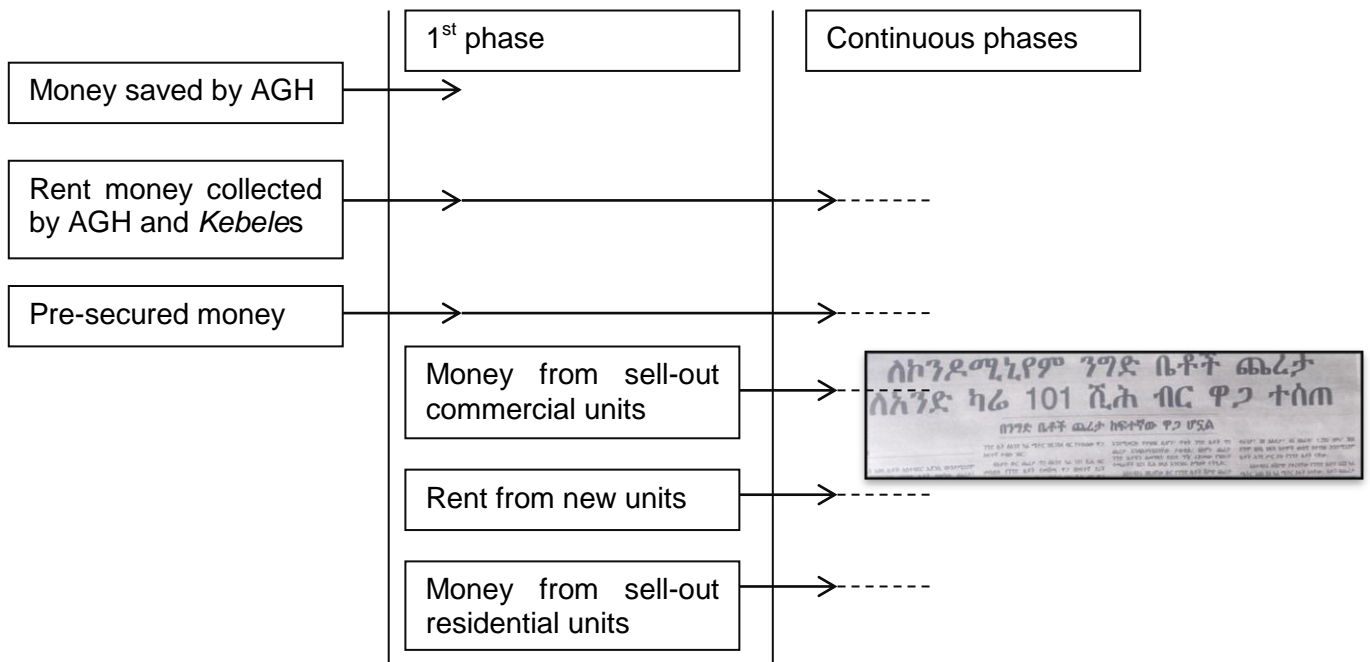


Fig. 7.1 financing mechanism

Since the development will take place in the city center sell out apartment and commercial units will bring a substantial amount of money. Contribution from the future renters of the units would also bring some amount of money; the renters will be subsidized through low rent price once they occupy the units. In general the following financing mechanisms are proposed; some of them will only continue until the agency becomes financially self-sufficient.

- Money from sell out residential and commercial units
- Pre saved money from future renters
- Rent money from AGH
- Rent money from *Kebeles*
- Different subsidies from government

In the previous chapter a recommendation was given to increase rent price of existing AGH's houses. In the case apartment '7 Apartments' rent price varies from units to units, there are tenants who pay 100 ETB and there are others who pay up to 1000 ETB for the same type of units on the same floor. This is not because AGH did not have rent setting standard it is so because AGH has fall to implement the new rent setting standard introduced since 2014. According to the finding tenants pay 300ETB per month on average in the case apartments, where all units are 1 bedroom on 40m<sup>2</sup> this means 7.5ETB per meter square. If it was calculated by the standard which is 20ETB per meter square rent price would have been around 600ETB for a unit. This way AGH would have collected much more money and make the rent price fair when compared to the market rent price (see market price on Table 4.2 for one bedroom apartment unit i.e. a minimum of 2000ETB). Hence AGH shall implement this rent setting standard and continue revising the standard every time; this will help AGH collect more money so it can finance construction of new apartments.

### Coast and return analysis

If we take the current condominium housing as an example we can simply calculate cost and profit of the program.

1 block of G+5 condominium in Lideta redevelopment project covers an area of 326 m<sup>2</sup> and holds 6 families per floor. Leaving the ground floor for shops one block of condominium will have a total of 30 rental units and 326m<sup>2</sup> of commercial space.

$326\text{m}^2 * 6\text{floor} = 1956\text{m}^2 * 5000\text{birr}$  (current construction cost) = **9,780,000birr** = the cost estimated for 1 block of G+5 condominium apartment

If we assume the sell value of commercial spaces to be 50,000birr per m<sup>2</sup> (plausible price when compared to current value and location of AGH parcels) (see figure 7.1 101,000 birr for a m<sup>2</sup> of commercial shops in Lideta redevelopment area).

$326\text{m}^2 * 50,000\text{per m}^2 =$  **16,300000 birr** which exceed the construction cost

If we take 20birr for rent per m<sup>2</sup> (current AGH rent price)

Leaving the ground floor for shops 5 floor \* 326m<sup>2</sup> \* 20 birr = 32600birr per month and **391200 birr** per year from rent.

As per the proportion the block will have around 5 Sell out residential units

If we take selling market price of condominium units as a base price (see table 4.2) and deduct 30% AGH can collect around 400,000 birr from a single unit and a total of **2,000,000 birr** from all 8 units

Therefor sell out shops + sell out residential unit + rent per year = **18,691,200 birr** in a year from a single block

So within a year AGH will have enough money to construct additional two blocks of apartment

### 7.4.4 Target group

Different target groups are identified for the different housing units; for every type of units it is people without their own home and people who finds it difficult to rent in the market. See the table below for programs, target group and financing mechanism.

Table 7.1 target groups and financing mechanism

<b>Types of units</b>	<b>Target group</b>	<b>Financing mechanism</b>
Permanent PRH	<ul style="list-style-type: none"> <li>▪ Civil servants registered for home ownership programs</li> <li>▪ Migrants</li> <li>▪ Newly graduates</li> <li>▪ Any other people who want to rent (with less priority)</li> <li>▪ Households evicted by the program</li> </ul>	<ul style="list-style-type: none"> <li>▪ 100% AGH with cross-subsidy from sell-out units</li> </ul>
Rent to own program	<ul style="list-style-type: none"> <li>▪ Poor household</li> <li>▪ Especially of female headed households</li> <li>▪ Households evicted by the program</li> </ul>	<ul style="list-style-type: none"> <li>▪ 90% AGH (with cross subsidy)</li> <li>▪ 10% recipient</li> </ul>
Sell out residential units	<ul style="list-style-type: none"> <li>▪ People who can provide some percent in advance</li> </ul>	<ul style="list-style-type: none"> <li>▪ 100% the owner</li> </ul>
Sell out commercial units	<ul style="list-style-type: none"> <li>▪ People interested and can provide some percent of the money in advance</li> </ul>	<ul style="list-style-type: none"> <li>▪ 100% the owner</li> </ul>

### 7.4.5 Occupation period

Undefined target group, unrevised rent contract and change in rent policy have made AGH apartments unmanageable in terms of occupation. Here in this proposal target groups for different housing units are defined (see table 7.1).

**Rent to own:** - these units will be occupied with people who are poor and did not have another option to own a house. These renters will be given the opportunity to buy and own their units within ten years. If they fail to do so they will continue as temporary tenants and be replaced with other households.

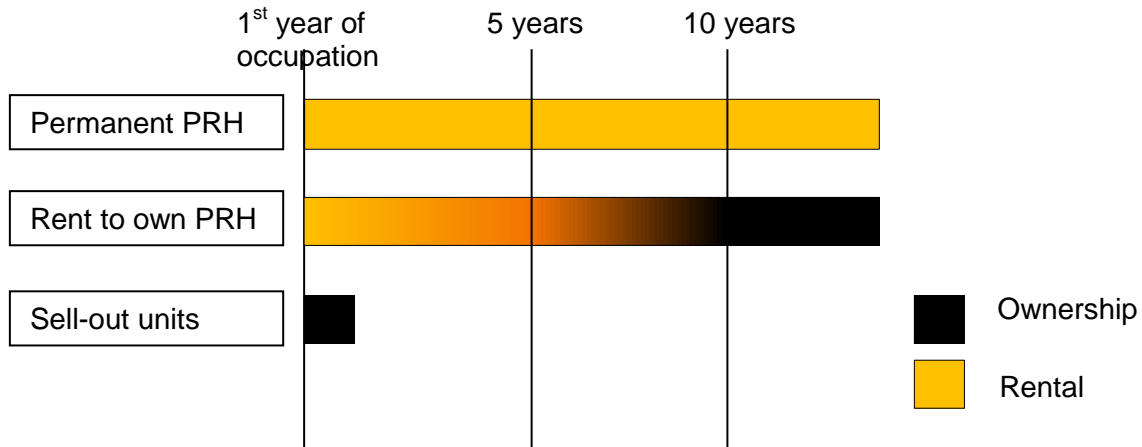


Fig. 7.2 housing occupation

**Permanent PRH:** - these units will remain rental, serving different tenants throughout different times. A tenant will have a 5 years contract with AGH, after the end of the contract the renter will be replaced by other applicant. It is assumed through low rent; tenants of these units are given a chance to accumulate wealth and have developed the ability to buy or rent on the private sector, or have the ability to contribute well for other homeownership programs.

**The home ownership program:** - these are sell-out residential units; apart from subsidizing the construction of PRH units it will bring social mix in to the neighbourhoods.

## 7.5 Management

The finding shows that the agency have performed well in many aspects of housing management this and the huge management experience of the agency will make it a good candidate for handling the management. The agency can also continue to manage the new PRH units until the units exceeds some amount of number and becomes difficult to manage which then can start privatizing the management. The agency should also starts to handle periodical tenant satisfaction survey to see its problems and act up on and increase the level of tenants' participation.

Regarding repair and maintenance where the agency performed low; the agency should handle regular maintenance and repairs. In addition there must be clear maintenance and repair rules that can be done by tenants. To increase tenant participation tenants should establish associations that can handle different tasks.

Responsibility

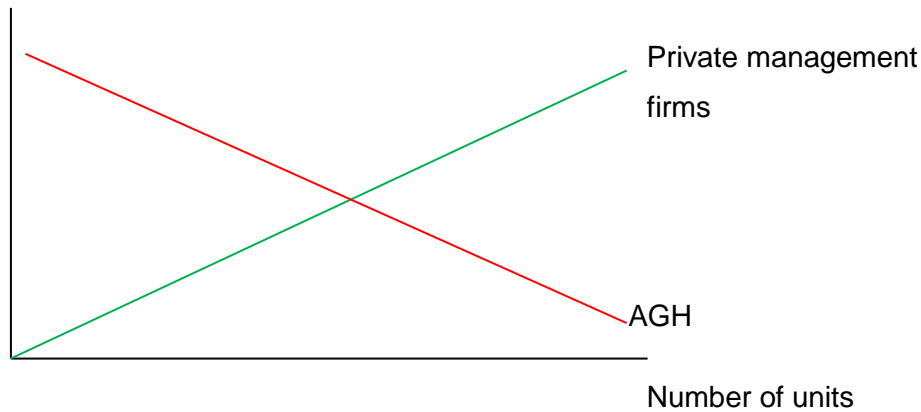


Fig. 7.3 management responsibilities

One of the problems faced in repair and maintenance is shortage of money; unforeseen future huge repair demand and unpreparedness for it creates shortage of money when needed. To tackle this problem AGH should add 2-5% of rent price on rent and collect; which will be saved as money for repair and maintenances. As buildings will be new; rate of repair and maintenance will be low in the beginning; which gives AGH enough time to save enough money. And after a while when repair and maintenance are needed there will be enough money. As time goes by the units will be privatized which decreases AGH responsibility of repair and maintenance; which will create equilibrium between money needed and amount of repair and maintenance.

## 7.6 Further Research Issues

The subject of rental housing is multi-pronged and complex to cover through a single study. This study has covered issues regarding development, tenants and management of Public Rental Housing (PRH) in the context of Addis Ababa; and envisioned development of new PRH for the city through strategy proposal on the issues of the study. Obviously, these are not the only key issues of PRH. Therefore, below are some suggestions for further researches, the issues are uncovered through this study and are related to rental housing in general and PRH specifically.

***Private rental sector in Addis Ababa:*** - the private rental market constitutes the biggest share in Addis Ababa housing market. Majority of the providers of this sector are small-scale land lords, they rent to collect additional income or in some cases because it is the only means of income. It would be useful to investigate these sector interns of income generation, affordability and quality; and redefine the role of the private sector. These will help to define the role of the public sector in general and provide PRH without compromising the advantage rental housing offers in the market.

***The role of the private sector in development and management of PRH:*** - it is the state that developed AGH's apartments through cooperation of its different institutes and departments; this is because of the political and economic ideology the country was following during the time. Currently things have changed and there are opportunities for the private sector to involve in public projects. It would be useful to investigate as to what kind of role the private sector plays in the development of public housing in general and PRH specifically.

Since the beginning of PRH in Ethiopia, 40 years ago, it is the state that handles the management; this is also the case in many countries. But recently privatization of the management of PRH has proven to be effective. It would also be useful to study how to involve the private sector in the management of PRH in the context of Addis Ababa.

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## Appendices

### Appendix A: Questionnaire for socio-economic profile of tenants

**DESCRIPTIONS**

Name.....(optional)

Age .....

Family head    M  F

Number of families.....

Year of stay in the city .....

Marital status.....

Family members

Father	Mother	Children	Relatives

**INCOME & EXPENDITURE**

Employment status/type of family member 1) Family head.....

2) Other family members .....

.....

Monthly income of household head .....

Remittance income    Yes                       No

Describe other source of household income.....

Total income of household.....

Do you own a car?    Yes                       No

Do you own another home?    Yes                       No

Can you afford to buy a house? Yes                       No

Estimated monthly 1) Food, 2) Children education, 3) Transportation, 4) utility

.....

Amount of house rent.....

Describe if there are other family expenditures.....

**FUTURE PLANS**

What do you plan to do in near future if you get money? .....

Have you registered for new housing? Yes                       No

Do you have planes to move out of the unit? Yes  No

## Appendix B: Questionnaire for measuring tenant satisfaction

### HOUSING AND SERVICES

1. Taking everything into account, how satisfied or dissatisfied are you with the overall service provided by the agency?

Very satisfied	
Fairly satisfied	
Neither	
Fairly dissatisfied	
Very dissatisfied	

2. Overall, how satisfied or dissatisfied are you with the following?

	Very satisfied	Fairly satisfied	Neither	Fairly dissatisfied	Very dissatisfied
a) The overall quality of your home					
b) The general condition of this property					
c) This neighbourhood as a place to live					
d) The value for money for your rent					

	Very satisfied	Fairly satisfied	Neither	Fairly dissatisfied	Very dissatisfied
a) Advice on rent payments					
b) Advice on moving home					
c) Support provided to new					

tenants					
d) Support provided to vulnerable tenants					
e) How enquiries are dealt with generally					

3. How satisfied or dissatisfied are you with each of the following services provided by the agency?
4. To what extent are any of the following a problem in your neighbourhood?

	Very big	Fairly big	Not a very big problem	not a problem at all
a) Rubbish or litter				
b) Noisy neighbours				
c) Pets and animals				
d) Disruptive children/Teenagers				
e) Racial or other harassment				
f) Drunk or rowdy behaviour				
g) Vandalism and graffiti				
h) People damaging your property				
i) Drug use or dealing				
j) Abandoned or burnt out vehicles				
k) Other crime				
l) Noise from traffic				
m) Car parking				

### REPAIRS AND MAINTENANCE

5. Generally, how satisfied or dissatisfied are you with the way the agency deals with repairs and maintenance?

Very satisfied	
Fairly satisfied	
Neither	
Fairly dissatisfied	
Very dissatisfied	

6. Have you had any repairs completed in the last 12 months?

Yes		Go to Question 14
No		Go to Question 17
Can't remember		Go to Question 17

7. Thinking about your last completed repair, how would you rate it in terms of...?

	Very good	Fairly good	Neither	Very poor	Fairly poor
a) Being told when workers would call					
b) Time taken before work started					
c) Speed with which work was completed					
d) Attitude of workers					
e) Overall quality of repair work					
f) Keeping dirt and mess to a minimum					

8. Was your repair fully completed to your satisfaction on the first visit?

Yes	
No	
Can't remember	

9. In your opinion, over the last year has the repairs and maintenance service...

Got better	
Stayed the same	
Got worse	

## Appendix C: Interview with key informants

### PERSONAL INFORMATION

1. Name .....
2. Current position in the agency .....
3. How long have you worked here? (At the agency) .....
4. What was your position during the development process of the case (Apartment 16).....

### ABOUT THE DEVELOPMENT PROCESS

5. List the major elements/steps of the development process? (Finance mobilization, design and construction & finally occupancy and maintenance).

.....

.....

.....

.....

.....

#### A. PREDEVELOPMENT PROCESS

6. Who defines the project, including?; the purpose of the housing, the type of housing (single family, apartments, high rise, etc), potential locations, approximate scale of the project and target population (families, elderly, special needs)

.....

.....

.....

7. What was the outcome?

.....

.....

.....

.....

8. Who selects the members of the development team?, which typically includes: architect, engineer, development consultant, builder, construction manager and service provider if the project is serving a special needs population

9. What were the outcomes? Who were selected?

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10. Who selects and evaluate the site? What was the outcome?

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**B. FINANCING**

11. Who Identify and obtain financing

---

---

12. How much was the project coast? What was the cost breakdown?

---

---

---

---

13. What were the financing sources?

---

---

14. Did the agency get loan? If yes how much? And from whom?

---

---

---

**C. LAND ACQUISITION**

15. Who was the responsible authority to provide land?

---

16. What are the requirements to get the land? Did the agency make any payment? [ excluding payments for office works ] explain

.....  
.....  
.....

17. How long did it take to acquire land?

..... Years ..... months, ..... weeks

18. What constraints were faced in obtaining land?

.....  
.....  
.....  
.....

**D. DESIGN**

19. Who prepares the designs of the houses?

.....

20. How was the design awarded to the consultant (tender etc.)

.....

21. Before the houses were built, did the agency discuss how the houses should look like with the consultant? For example program of accommodation, house plan, paint, and material etc.?

.....  
.....

22. How much time does it take to decide on design issues in general

.....

**E. BUILDING PERMIT**

23. How long does it take to get design permit for construction?

..... Years ..... months, ..... weeks

24. Did the agency face any challenge in acquiring building permit?

.....  
.....

**F. CONSTRUCTION**

25. Who undertakes the construction?

\_\_\_\_\_

26. How was the construction awarded?

\_\_\_\_\_

27. How much time does the construction take?

\_\_\_\_\_ Years \_\_\_\_\_ months, \_\_\_\_\_ weeks

28. What do you feel about the progress of the construction work in general?

1) Normal                      2) delayed                      3) faster

29. If you think it was delayed or fast, what were the main reasons for that?

1. Lack of commitment by the member      2. Financial constraint

3. Lack of building materials supply      4. Lack of infrastructure services in the area

5)Other \_\_\_\_\_

**G. PRE OCCUPATION**

30. Who gives out the units?

\_\_\_\_\_

31. What were the major criteria for an applicant to get the units? And who decides on that?

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

**H. CHALLENGES**

32. What were challenges encountered during the development process?

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

## **Appendix D: List of Interviewees (Key informants)**

- AGH, project supervisor for apartment 16
- AGH, Research and Project Management team leader
- AGH, Preventive maintenance officer

## **Appendix E: Questions for Focus Group Discussion**

- General view on the housing and management
- Any sort of abuse, corruption and nepotism
- Third party tenants
- Tenants with their own homes elsewhere
- About rent price
- What do you think of the advantage of renting such public housing
- Are all tenants the right target group
- Opinion on new PRH development

### Appendix F: Current status of AGH; evicting tenants



### Appendix G: New public rental housing for low-income households in Addis Ababa



## Appendix H: Current institutional structure of AGH

