

The challenges of sectional title in the low-cost sector

By Sayed Iqbal Mohamed



There are certain challenges common to all sectional title owners, irrespective of their social or financial status. Management, maintenance, co-operative environment, levies and rules all require some level of understanding, acknowledgement and commitment to make a scheme functional and efficient.

Affordability

It is affordability that determines a poor person's ability to maintain security of tenure in a sectional title scheme. A poor tenant who can barely afford low rentals will struggle to pay the monthly levy. The scheme is destined to collapse when affordability is conflated with a general misperception that a levy is rental disguised in another form and should not be paid by an owner.

There is therefore a need for basic education to change the mindset.

Levy amount

The other challenge is the levy amount. A levy is inevitably encumbered with several elements such as maintenance costs and municipal service charges that include rates. Reducing costs can help in a lowering the levy.

An upgrade program

The eThekweni (Durban) Municipality started an upgrade program whereby its low-cost rental housing stock is being upgraded to a high standard of habitability. The "package deal" includes the installation of prepaid water and electricity meters, writing off rental arrears and outstanding municipal charges and rates exemption. The tenant is given the option to take ownership, free of all costs. The arrears are "parked off": that is, endorsed on the title deeds and become payable if the owner decides to sell.

The upgrade includes complete redecoration of all exterior walls, repainting, re-putting and glazing of steel window frames, waterproofing of roofs, and replacement of certain sewer pipes, roofs, toilets and doors. Electrical re-wiring is also done in all the flats, as is waterproofing of bathrooms, and prepaid meters or flow limiters to control water consumption are installed for free.

Problems

In spite of such a laudable programme of providing ownership to poor tenants with a clean slate and reduced levy, the schemes are showing signs of collapsing. The main reason, it would appear, is the management of the scheme and the high costs to agents. Perhaps, with proper training that allows for skills transfer and empowerment, owners can manage the schemes themselves. Income-generating projects such as co-ops need to be formed. These may involve grass-cutting and other maintenance matters carried out by certain owners in lieu of levies.

In some communities, social disparity is compounded by social degradation where drug trafficking and other crime is rife. Non-payment of levies that results in the disconnection of municipal services leads to illegal reconnections. This heralds the beginning of the collapse of the scheme. Introducing a special levy or instituting legal action against defaulting levy payers is deemed criminal.

Transpose these challenges to a private developer and they become colossal. The private developer will have to reduce its profit margin and enlist government support to further subsidise the scheme in addition to the subsidy given through the state's discount benefit scheme.

There are no easy solutions for low-cost housing operating in a sectional title schemes.

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