Exploring Indigenous Strategies for Affordable Housing Delivery for the Urban Poor

by

Arc. Wole Alagbe (Ph.D)

Department of Architecture,
Covenant University, Ota

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Theme - "Achieving affordable housing delivery by creating 500,000 housing units by 2016".
OUTLINE

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• Housing Problem in Nigeria and Causes
• Government Interventions in Housing
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• Way Forward – Lessons from South Africa
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• Problems of Non-affordability Associated With Previous Housing Schemes
• Indigenous Strategies Towards Affordable Low-income Housing Delivery
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  - Acquisition of Compressed Earth Building Technology
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• Conclusion
Housing is at the core of improving the lives of the poor and at the root of many other financial, social and environmental issues (Alitheia Capital, 2012).

Best indicators of a person’s standard of living and of his or her place in society (UNCHS, 2006).

It has profound impact on the life-style, health, happiness as well as productivity of the individual (Dunn, 2000).

Represents a major portion of the family budget or that of an establishment (Kinyungu, 2004).

Constitutes the first major capital investment and life ambitions of individuals (Bello, 2003).

The aspiration to own a house constitutes one of the strongest incentives for savings and capital formation (Ozo, 1990).

Ultimately, housing is a legacy that plays an important role in safeguarding the self-esteem and worth of human existence.

In spite of its importance however, inadequacy in supply is evident and prevalent in most developing countries (Nigeria inclusive).
Unprecedented widening gap between housing supply and demand in Nigeria (UNCHS, 2006).

**Causes:**

- Increase in percentage Nigerian urban dwellers: 1952 - 10%; 1993 - 38%; 2009 - 50%
- By 2050, 70% of the world’s population is projected to live in urban areas.
- 33 per cent of the urban population in developing countries, live in slums, in inequitable and often life-threatening conditions (UN)
- For as long as population and urbanization goes on unabated, the demand for housing will increase geometrically.

- Rapid Urbanization and Population Growth
- Poverty, Poor Policies & Investment in Housing Sector
- High Cost of Land and Building Materials

Poverty, Poor Policies & Investment in Housing Sector

- Worldwide investment on housing is 15-35% while in Nigeria it is only 0.4%.
- Lack of long term financing
- Inflation remains a concern in Nigeria
- Access to formal and informal financial services is low.
- Nigeria currently ranks 158 out of 177 economies on the Human Development Index (HDR 2008).
- 70.8% and 92.4% of Nigerians live below income poverty line earning less than $1 and $2 dollar a day respectively.

- Poor access to secure land due to the Land Tenure Act.
- High cost of services and titling & registration – professional fees, planning approvals, C of O, ‘omo-onile’ syndrome.
- High cost of building materials – most are imported.
- Apathy towards use of indigenous building materials.

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Government Interventions in Housing

Nigeria Building Society (NBS) established in 1956 operated on the principle of mobilization of savings from the open market to fund individual mortgage loans.

Post-Independence Nigeria witnessed the Five-Year National Development Plans:

- First (1960-1969) - No significant impact was made on housing majorly as a result of instability in governance;
- Second (1970-1974) - A total of 59,000 units (15,000 in Lagos and 4,000 in each of the eleven State capitals) was proposed which saw to the establishment of the Federal Housing Authority to coordinate the implementation of the housing programmes nationwide;
- Third (1975-1980) – Active and direct involvement of government with 202,000 housing units proposed (50,000 in Lagos & 8,000 in each of the remaining 19 States) with only 15% (28,500) delivered at the end of the period (FMW, 1991);
- Fourth (1981-1985) - 200,000 housing units planned and only 47,200 delivered (23.6%) and;
- Fifth (1994-1995) – 121,000 housing units planned, only 1,014 delivered (0.84%)

In 1977, NBS transformed into Federal Mortgage Bank of Nigeria (FMBN) which acted as a sole provider of mortgage loans for individual homeownership and facilitator for the development of the housing finance sector in Nigeria.

- Sadly, its only role remains that of the manager of the National Housing Fund (Vision 2020 NTWG:2009).
- Used as a channel for the ‘monetization’ program of government housing.

In 1991, Nigeria first formal National Housing Policy was launched to deliver 8 million houses (at least 700,000 houses per annum) by the year 2000.
Government Interventions in Housing

- National Housing Fund (NHF) scheme was established in 1992 to address the constraints to the mobilization of long term funds for housing development and also to ensure that every Nigerian has access to housing loans at affordable interest rate.

- New National Policy on Housing and Urban Development in 2002 represented real effort by government to tackle the housing problem.

- Vision 20-2020
  - aimed at making the housing sector one of the top 3 contributors to the nation's economy;
  - adding 10 million decent and affordable homes (1 million houses/year) to the national housing stock by the year 2020”.

In summary, the Nigerian government is not bereft of ideas in tackling the housing issues, but there has been more failures than success stories.

Reasons: Subject of research and other discuss.
There are 10.7 million houses in Nigeria.
- 90% (9.6 million) of these are self-built, with little or no mortgage attachment.
- 5% (535,000) have formal title to property.
- The housing deficit in Nigeria is estimated at 14 million units.
- Bridging this gap will cost N49 trillion (this assumes the conservative cost of N3.5 million per unit).
- Home ownership in Nigeria is low; 85% of the urban population live in rented housing, spending 40% of their income on shelter.
- 80% of the urban population live in informal housing characterized by dense settlements with poor infrastructure.
- Existing formal supply is targeted at the high income earners priced well above over 92% of the population, contributing no more than 12% of demand.
- These underscored the pathetic situation of housing in Nigeria.

Summarily, the Nigeria governments have always assumed that the housing situation would improve as soon as general economic conditions improved (UNCHS, 2006)

This “wait and see” attitude upon which Nigeria housing situation is based have shown evidences of more failures than successes.

WHAT IS THE WAY FORWARD?
South African Experience (source: Rust & Finmark Trust, 2008)

Housing White Paper in South African (SA) was released in Dec. 1994 after the inauguration of the first democratic government.

Objectives

i. Address Massive housing backlog
   - In 1994, the housing backlog was estimated at about 3 million households.
   - Housing backlog was exacerbated as a result of pervasive urban poverty - 86% of an estimated population of 8.3 million households (in 1994) earn less than R3500.

ii. Address Low levels of housing affordability
   - Housing affordability was extremely limited given the level of unemployment in the country and the low incomes earned.
   - Government understood that its own capacity to finance housing to meet the backlog was limited.
WAY FORWARD – LESSONS FROM SOUTH AFRICA

- **South African National Housing Strategy**
- Policy attention was given to *affordability based on monthly income levels* (R0 – R3500; R3500 – R9080; above R9080).
- Emphasis was on low-income households therefore;
- Low-income households (64% of SA population) are eligible for the national housing subsidy which delivers a finished unit to minimum norms and standards with freehold tenure for free.

Source: Rust & Finmark Trust, 2008

Source: Arc Wole Alagbe, Covenant University, Ota ASO 2013
China Affordable Housing Strategy (Alitheia Capital, 2012)

- **Policy focused on solving the housing problems of medium and low income families.**
- **Five key areas (see figure below) were identified and used.**
- China was able to deliver 12 million housing units in 5 years through the application of an integrated and sustainable housing development programme.

**Source:** Alitheia Capital, 2012

### Key Areas

- **Housing Provident Fund System**
  - Compulsory contribution of 5-10%. By end of 2005, 625 billion RMB collected and 30 million employers have benefited from the scheme.

- **Affordable Housing System**
  - From 2001 to 2005 the government delivered 1 billion square metre, providing 12 million urban families with medium-and-low incomes.

- **Low Rental Housing System**
  - By the end of 2005, 233 cities have applied low rental housing system, and accumulated 4.74 RMB were collected to benefit 3.22 million families in poverty.

- **Tax Cut for Common Housing**
  - Operational, real estate and personal income taxes were used as subsidies for home-owners to lease their houses.

- **Renovation of the Old Districts**
  - Between 2001 and 2005 about 500 million square meter of old houses were demolished and rebuilt for 10 million families.
Affordability refers to the supply and availability of housing that is both within the financial reach of households and matches their aspirations (Nigeria Vision 20:2020).

Affordable housing is concerned with securing some given standards of housing or different standards at a price or rent which does not impose an unreasonable burden on the household incomes (Maclennan & Williams, 1990).

Therefore, the concept of affordability is subjective.

Any quality homes with modern specifications, secure communities with adequate services and infrastructures inclusive may be affordable to the high-income group but not to the low-income group.

However, it is the low-income group that needs urgent intervention in housing provision (just like it has been done in South Africa and China) if we want to avoid our cities from being turned into slums.

Therefore, this paper submits that policy focus should be targeted at providing affordable housing for the low-income group under the banner of ‘low-income’ housing.
Results have shown overtime that Private Public Partnerships (PPPs) on housing is profit oriented e.g. {Lagos Cooperative Home Ownership Incentive Scheme (Lagos-CHOIS), in collaboration with the private sector addressed the supply side with average sale price of a 2-bedroom unit at N11.6million and a minimum net monthly income of N70,000 is a prerequisite}

The products of PPPs (REDAN, CHOIS, etc) are not for the low-income earner and therefore not affordable to this group of people.

Survey shows that the term of payment is unfriendly or almost impossible to meet by low-income group.

- **Typical Terms of Payment** (A typical 2-bedroom house will cost minimum of N3.5m depending on the location)
  - 1. Application form = N10,000,00
  - 2. Payment by instalment:
    - 30% down payment on application (N1.05m)
    - 25% (N875,000) payment after 90 days of initial payment
    - 25% (N875,000) payment after 90 days of second payment
    - 20% (700,000) on completion before hand over

Therefore, it is inherent that we seek for indigenous strategies for delivering affordable housing to the 70% of Nigerians who live below the poverty line ($1 per day)
National Housing Fund (NHF) eligibility technically excludes the low-income group through the following:

- Evidence of possession of valid title to land (Certificate of Occupancy) and building approved plans.
- Loan facility is granted on the basis of the contributor’s ability to pay off with 30% of his/her average monthly income and repayment plan of a maximum 30 years tenor (e.g. a contributor pays back 1/3 Basic monthly income for a loan of N5m at 6% interest rate per annum for a tenor of 30 years being the elastic limit)
- Applicant must have not less than a period of 21 years left in service (if employed).
- All of these pre-conditions are big impediments towards realization of ‘housing for all’ particularly the low-income group.

<table>
<thead>
<tr>
<th>Max. Loan</th>
<th>No of Years Required for the Repayment on the Basis of 1/3 Average Basic Monthly Income vis-a-vis Grade Levels, with Minimum Monthly Wage Of N18,000.00 at the Required 6% Interest/Annum</th>
</tr>
</thead>
<tbody>
<tr>
<td>Amount in Naira</td>
<td>Grade Level</td>
</tr>
<tr>
<td>Max. N2m</td>
<td>27</td>
</tr>
<tr>
<td>Max. N3m</td>
<td>41</td>
</tr>
<tr>
<td>Max. N4m</td>
<td>55</td>
</tr>
<tr>
<td>Max. N5m</td>
<td>69</td>
</tr>
</tbody>
</table>

Max. Loan Eligibility by Grade Levels
Non-Eligibility Loan Limit

Source: Jolaoso et al (2012)
1. Incremental Self-Build Housing

- Self-build housing involves constructing permanent home from scratch by the owner rather than paying a professional builder to do it.
- Self-build housing contributes 30-70% of the housing stock in developing countries (Pugh, 2000).
- Statistics have it that 90% (9.6 million) of 10.7 million houses in Nigeria are self-built, with little or no mortgage attachments.

**Benefits**

- Addresses the huge shortfall in public housing provision.
- Provides the low-income group a cushion to tackle high cost of completed housing units and the numerous difficulties associated with accessing formal mortgage finance systems (Kamau, 2002).
- Provides households more control and autonomy in decision making at virtually every stage of the building life cycle.
- Reflects the peculiar circumstances and aspirations of the owner.
- It also infuses dynamism within a neighbourhood while eliminating the monotony often associated with mass housing projects (Turner, 1976).
- A major attraction of self-build housing concept is cost reduction, often up to about one third in new constructions achieved mainly through reduced labour cost, incremental completion and avoidance of speculation (Kuhn, 2010).
**Road Map to regulated Self-Build Housing Delivery System for the Low-Income Group**

- **Land Acquisition**
  - Government to regulate acquisition of land through the formal and informal system

- **Site & Infrastructural Development**
  - Government to provide sites and infrastructures services to guide every developmental scheme

- **Enforcement of Compliance with Layout Designs and Master Plans**
  - Proper layouts and master plans must be put in place to guide developments in every residential layout.

- **Subsidized Cost of Titling & Approvals**
  - Cost of titling, building approvals and other sundry expenses to be subsidized for the low-income group
Self-build Housing To Ideal Housing Situation

Informal sector & Self-build play prominent roles in housing delivery

IDEAL HOUSING

Informal sector & Self-build play prominent roles in housing delivery

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2. Acquisition of Compressed Earth Building Technology

- Earth building technology (mud housing) is an age long tradition in Nigeria.
- It has been used through the ages to meet the housing needs of rural Nigerians.
- There is a disconnect in the acceptability and use of earth building technology by the urban populace in meeting their housing needs.
- Findings have it that earth building technology was perceived as being associated with the poor.
- There is also a misconception that it is not durable and aesthetically appealing.
- In providing solution to the misconceptions, earth building technology in the form of Compressed Stabilized Laterite Bricks (CSLBs) was invented as a product of scientific research.

• Benefits of CSLBs
  - They are durable;
  - The soil needed for production is available in large quantities;
  - Cheap, affordable and easy to use (particularly the interlocking bricks);
  - Fire and bullet resistant;
  - High thermal capacity, low thermal conductivity and porosity;
  - It can moderate extreme outdoor temperatures and maintain a satisfactory internal thermal comfort.
INDIGENOUS STRATEGIES TOWARDS AFFORDABLE LOW-INCOME HOUSING DELIVERY

Compressed Stabilized Laterite Bricks for Affordable Housing

Mud House

Compressed Stabilized Interlocking Laterite Bricks

Compressed Stabilized Interlocking Laterite Bricks House

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3. Cargo (Shipping) Container Homes

- Housing using steel intermodal containers (shipping containers) as structural element because of their inherent strength, wide availability and relatively low-cost.
- They are far less expensive than new material homes, and reusing them rather than melting them down significantly reduces the carbon footprint of the steel containers.
- There are countless numbers of unused shipping containers just lying around and taking up space.
- The extremely high surplus of empty shipping containers are just waiting to become someone’s home.

• Benefits
  - They are plentiful and durable
  - They are beautiful in design
  - They are stackable and make for quick installation
  - They have inbuilt beam and column systems which makes for good structure and flexibility in design.
  - Relatively inexpensive ($900 for a used container)
  - Their construction process eliminates a lot of labour cost.
3. Cargo (Shipping) Container Homes

The 40ft container is preferred in this scheme for its larger area and significant headroom difference in comparison to 20ft containers.

The unit cost of cargo shipping containers in Nigeria are given below:

- 20ft Containers = N 150,000
- 40ft Containers = N 300,000

The design scheme makes use of the 40ft containers only, for the purpose of achieving uniformity in the design and aiding easy valuation of building units.
3. Cargo (Shipping) Container Homes

The Plywood sheets are essential and useful in suspended floors to counter the containers conductive properties and maintain a conducive thermal interior. Ground floor areas are to be finished with appropriate tiles with proper measures of concrete and mortar screed.

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INDIGENOUS STRATEGIES TOWARDS AFFORDABLE LOW-INCOME HOUSING DELIVERY

GALLERY OF CARGO CONTAINER HOUSES

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INDIGENOUS STRATEGIES TOWARDS AFFORDABLE LOW-INCOME HOUSING DELIVERY

GALLERY OF CARGO CONTAINER HOUSES

Source: http://www.hometalk.com/22-most-beautiful-houses-made-from-shipping-containers/

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INDIGENOUS STRATEGIES TOWARDS AFFORDABLE LOW-INCOME HOUSING DELIVERY

GALLERY OF CARGO CONTAINER HOUSES


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CONCLUSION

- The access to adequate housing as a basic human right is enshrined in the Universal Declaration of Human rights and the International Covenant on Economic, Social and Cultural Rights (Nigeria is a signatory).

- The introduction of the enabling shelter strategies {one of the major principles of the Global Strategy for Shelter to the Year 2000 (GSS)} by the UNCHS implies a change from policies of intervention to policies of liberalization.

- This process of commercialization makes investment in land and housing more attractive to the rich to the detriment of the poor.

- In any market, choice is a positive function of income.

- The consequence is that the poor have no choice in housing at all.

- Unless governments take necessary actions, liberalization of housing markets may not produce the beneficial results to the poor.

- Therefore, general policies must be specified and tailored towards the needs of the poor who are in the majority.

- THAT IS HOW TO MAKE HOUSING AFFORDABLE FOR ALL AND SUNDRY.

- {Foreword of Dr. Wally N’Dow (Assistant Secretary General, UNCHS) to the UNCHS 1994 publication on ‘National Experiences with Shelter Delivery for the Poorest Groups’}
THANK YOU