



Funding Opportunities for Affordable Housing Programme

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ABSTRACT

The purpose of this research paper is to examine the funding opportunities available for the affordable housing program. The study looks at the current channels of funding, the challenges facing affordable housing, the role of the private and government sector. Primary data used was collected through presenting questionnaires to respondents in different financial sectors and there was a 64% response rate. The basis used for data collection were looking for the current funding opportunities, the difference between the funding opportunities in affordable housing than in other housing development, the drawbacks in funding and how can the funding opportunities be optimized.

The data collected was input into Ms Excel and expressed as pie chart to make more meaning. The results show that there is need for encouragement of saving and contribution towards home ownership by the general public as this will be a catalyst in achievement of affordable housing. We find that state contribution is the best funding source for the affordable housing program and that government funding will still go back to the individual tenants and private entities through the housing tax levy.

CHAPTER ONE: INTRODUCTION.

1.1 Background Information

1.1.1 Affordable housing

The definition of affordable housing varies from region to region but they all revolve around meeting the needs of the poor and middle income citizens. The economic times (2020:1) defines affordable housing as “housing units that are affordable by that section of society whose income is below the median household income.” This indicates that the target of affordable housing should be those that are below a counties median income. Kenya being a developing country in terms of infrastructure then there are very many households that cannot afford to buy a house at the prevailling maket prices. As in any case of affordability, income is considered the basis of discussion.

1.1.2 Affordable housing program

In 2017 the president of kenya rolled out his big four plans which included affordable housing units as a part of the pillars. To enable kenya to achieve the targeted 500,000 home units then the government has to provide incentives for the next coming years. According to Development Framework Guidelines (2018) the State Department for Housing and Urban Development (SDHUD) has been mandated to deliver the AHP.

The affordable housing program incorporates supply, demand, and enabling environment interventions. Focusing on an enabling environment, interventions made were: lowering the cost of building and ownership of homes, tax breaks like zero stamp duty for first time home owners, creating of a housing portal, Boma yangu, which is to enable matching supply with the demand and lastly SDHUD established an Integrated Project Delivery Unit (IPDU) which will be center of all planning, designing and implementation for various programs, ensure that investments result in desired outcomes and through creation of Programme Management Offices it will implement international best practices and governance principles.

On demand interventions there will be provision of long-term Tenant Purchase Schemes (TPS) for people earning less than Ksh 150,000 per month and Long-term mortgages for families earning between Ksh 50000 and Ksh 150,000 a month. On the supply intervention the houses are built based on a proven demand master plan and development of a mega city approach, providing public land in joint

venture models and according to AHP Tax Incentives (2020) corporate tax rate is lowered from 30 % to 15% for developers who supply more than 100 units of affordable housing a year.

The project development of the AHP begins with identification of sites to kick start the project. Before a plot of land is actually prioritized it will be subjected to compliance which will check on five key areas of assessment. First of all, will be the land ownership documents such as title deeds or certificate of lease, rates and rent clearance certificate, survey maps of site and official certificate of search. The second part will focus on information summary of the site where SDHUD team will visit the site to visually inspect identified sites. They will review if the land is usable or not, review if site is a flood prone area, review the slope analysis and if there is any sensitive ecological or archaeological site.

Next on will be site survey information where it will begin with topographical surveys to show any existing buildings on site, then hydro geological and hydro logical data to establish ground water and check on food risk areas lastly check on get geotechnical data. The fourth area will be use of infrastructure maps to check on road networks, water maps, solid waste management systems, power network maps and network capacities. The last area is use of town planning data which will be used to check if there are any planning restriction, to be duly informed of current and future planned urban development plans and also the integrated county development plans.

Key design principles include open spaces, access and movement, safety and security, smart technology, creating communities and building technology. Open space will focus on a gathering space, sports facility, public realm networks and active spaces. Access and movement include having a pedestrian path, treelined avenues and a cycling path. Smart technology focuses on waste management, telecommunication, renewable energy and gas reticulation. Safety and security are about building a perimeter, access control rooms and having security guards. Creating communities encourages having retail centers, having community centers and schools. Lastly building technology allow use of precast panels, insitu form work, frame and infill.

Housing Act cap 117 (2020) describes that the National Housing Development Fund (NHDF) was established under control of the National Housing Corporation (NHC). The Act provides regulations to be followed. One of which it specifies that to be eligible for the affordable housing scheme one has to be a Kenyan citizen of 18 years and above, contributed consecutively for at least six months, one has proof of registration with the scheme and has contributed 10% of the house price. NHC shall create individual accounts for those who have contributed whereby the contributions will be credited to the individual account. The minimum contribution per month shall be ksh 200.

Kenya Mortgage Refinancing Company (KMRC) which is regulated by the Central Bank of Kenya and managed by the National Treasury will provide long term financing to Kenyan banks in order to increase volume of mortgages and to provide access to capital markets for the Primary Mortgage Lenders. A housing portal, Boma Yangu, that will handle payments and contribution for potential home owners, allocation of homes through a lottery system and access data from property developers on availability of homes.

1.1.3 Main Development and gaps in Affordable Housing Programme

The National Government has signed Memoranda of Understanding (MOU) with 24 Counties for development of at least 2,000 housing units in each county and there are five counties that have already chosen land on which project planning and implementation will be done on. The first phase of the Park road project of 228 units has been finished. During the first quarter of 2020 the Starehe and Shauri Moyo projects will begin and are to produce 8000 units, the Kibera Soweto Zone B starting same period will produce 4400 housing units.

The Athi River project is to produce 8000 housing units of which it is selling 456 of its completed units. Housing units available for civil servants are 250 in Kisumu, 152 in Machakos, 164 in Embu and 193 in Kiambu. There will be provision of 155,000 housing units across Mombasa and Nairobi

Metropolitan area by 11 partners of the Government. The State Department for Housing and Urban Development (SDHUD) has placed Sh. 3 billion procurement order with the informal sector to produce 100,000 doors and 120,000 windows for the Affordable Housing Programme (AHP). Out of 47 million Kenyans in the country there are only 295,878 register applicants for the affordable housing program of which that is a really low number.

1.2 Problem statement

It's important to note that affordable housing does not indicate cheap houses as it is supposed to cater for quality houses which have necessary amenities. As a fundamental part of our constitution article 47 insists that every Kenyan should have access to quality housing. Internationally housing is considered a human right.

1.2.1 World situation

Mr. Alioune Badiane was quoted by UN-Habitat (2016;1) saying that "Today, 1.6 billion people do not have access to adequate shelter around the world. One billion of those live in informal settlements and

about one in four people live in conditions that harm their health, safety, prosperity and opportunities,” These statements indicate that there is a long way to go until inadequacies in housing are overcome. Africa being one of the most hit countries with big informal settlement and slums then it’s clear that greater initiatives are necessary to achieve better housing. The approach taken by the UN habitat was that of slum and informal settlements upgrading. The matter is urgent considering it affects the dignity of human beings.

Additionally, (UN-Habitat, 2016) describes that the projected number of people who will need adequate and accessible housing by 2030 will be 40% of the world population which is a worrying data. This shows that 40% of the people in the world will have their human right affected. The urgency of the matter is held in the statistics that for affordable housing to be achieved by 2030 in the world then over 1000 house units need to be built per hour which is not an easy task especially for countries like Kenya.

1.2.2 Kenyan situation

Kenya has an estimated supply of 50,000 housing units per year which is only 20% of the housing demand of 250,000 units (habitat organization, 2020). The deficit in housing if combined with the increased movement of people to urban areas then it’s evident that there will be increased growth of informal settlements and slums if action is not taken. This can be attributed to the fact that around 42.4% of Kenyans live below poverty line according to Habitat for Humanity, (2020). The county governments tasked with the responsibility of delivering houses have very limited financial resources and know-how.

The factors contributing to the inadequacy of affordable housing are;

- Limited access to land and land documentation
- Financial inability to purchase a house at market prices or lack of access to construction finance.
- Lack of access to mortgage products.
- Bureaucratic processes of property and land ownership.

With the compounding mismatch in demand and supply of houses in Kenya then the problem of housing continues and may grow with time even past the Vision 2030. After independence there were

initiatives put in place targeted at reducing the housing problems but they were delayed after several decades. Keiti et al. (2020) states that “Since independence, the government of Kenya through designed public housing schemes made efforts to develop houses to boost supply and contain the deficit.” There are different policies that have been utilized to ensure that affordable housing is achieved. These include partnerships between the government and private sector and private rental sector. Mwaniki et al. (2015) describes that there has been diminishing willingness to invest state resources in public housing (Nzau, 2018).

Lack of financial ability to buy or build good houses coupled by increasing urbanization (as citizens aim to make more profit in urban areas) means that there is need for funding so that citizens can get access to adequate housing at reduced prices. There is a problem of funding as the county governments tasked with housing have inadequate resources which necessitates the national government intervention. There is need for cooperation and partnerships between the state and the private sector (UN-Habitat, 2016). On the side of hope which gives an opportunity to more research, Keiti et al. (2020: 1680) states, “Kenya has immense opportunities which if properly harnessed might deliver the elusive housing dream for its citizens. Kenya has, for instance, a vibrant construction sector, which continues to be a key driver of economic growth contributing 8.6 percent of gross domestic product (GDP) in 2018”

1.2.3 Research gap

There is less research done on the government funding and support for housing especially in the private sector partnership for provision of affordable rental houses. The mixed funding policies need to be studied so that there is better contribution to knowledge for funding of housing programs. Understanding this will help even in deciding of the house payment policies and tenancy protection considering that this is a new housing program in Kenya. Getting better research will inform the best structure for funding the program. In relation to mix of housing policy, Pero et al. (2016) states that “The available OECD data are not yet robust enough to provide a comprehensive cross-country comparison and further analysis is needed to increase the coverage of data and validate its quality”. This study will be aimed at increasing the knowledge that is required to form a better basis and drive a better housing agenda.

1.3 Research Objectives

1. Examine the channels of funding of the affordable housing program and policies in place.

2. Explore the challenges and channels of affordable housing funding.
3. Examine the role of private sector in the funding of affordable housing program.
4. Examine the role of Incentives and subsidies in improving the accessibility to affordable housing.

1.4 Significance of the research

As mentioned above there is shortage of data concerning funding for affordable housing and its validation for implementation. Data is needed in guiding of government policies and also helps in arriving at comprehensive decisions that are the basis of project sustainability. It's not clear what constitutes an affordable housing in Kenya which is what is supposed to guide even the funding of the housing program. This study will contribute to the improvement of framework for affordable housing. The research will also seek to gauge and reaffirm the commitment of the Kenya's government towards establishing affordable housing and whether the policies in place are adequate, realistic and informed

1.5 Research Scope

The research will be done in the Kenya. The research will be oriented towards affordable houses that are not at the prevailing market prices that are not subsidized.

This study is organized into several chapters. In chapter two, a literature review will be written on affordable housing and it's funding in relation to knowledge gap and conceptual framework. Chapter three, which is the research methodology, gives the model/framework that the research will adhere to. The references will be listed at the end.

CHAPTER TWO: LITERATURE REVIEW

2.1 Chapter introduction

This chapter gives a literature review on the previous research works on funding opportunities for affordable housing done by other scholars.

The literature will be oriented to the objectives of this study. The review will look into journals, and other scholarly work is done relating to the funding opportunities for affordable housing. Other vital data affordable housing a relating to affordable housing in Kenya will be considered.

2.2 Funding opportunities for affordable housing programs

According to Whitehead (1991) housing affordability idea has come into greater popularity in the latest decades and it replaced the housing need terminology which was at the core of debate of government boost in the accessibility and adequacy of housing for its citizens. The change of terminology came as there were reforms aimed at ensuring that the market prices were within the range that both those in poverty class and middle class would afford. The market reforms in the housing sector were happening in parallel in different countries in the world. The basis of the reforms can be attributed to the increased rates of homelessness in the urban areas and to a smaller extent in the rural areas. Mortgage defaults also indicated that buyers were willing to get better homes but there was a cap on their funds. With mortgage defaults and increased homelessness then there had to be measures aimed at ensuring that negative equity was not getting to the extremes. In country like Russia the section of government under national housing policy has to positively die the factors in the market and private sector.

Africa has had rising housing problems being driven by low-income levels in the African countries. The low-income levels arise where some in the households are unemployed which leads to overburdening of a few in the households. AfDB (2011) describes that 36.5 percent of the population make less than 2 United States dollars per day with a majority of the population living below the poverty line and with a minority of those above poverty line being able to access mortgages (CAHF, 2013). A poor financial and funding system has had the highest contribution to the woes in the housing finance sector. Kieti (2015) argues that the weak financial system changes high interest on the loans and also the eligibility is set at high levels which constrain those willing to take the mortgages. Averagely formal financial services in African countries can only be accessed by less than 20% of the population. This clearly explains the congestion in informal settlements schemes and slums. This indicates then that working on the financial systems in Africa and developing countries then might be one of the steps in bringing affordability in the housing sector. While on this it's important to note that

there have been efforts to reshape and ignite the finance systems in Kenya especially on the orientation of the housing sector. One example of this is mentioned by a Cytonn weekly report as cited by Keiti et al. (2020: 1683) where they state that “KMRC received seed capital of Kshs.15.1 billion from World Bank, the National treasury pledged Kshs.1.5 billion, and participating commercial banks like Kenya Commercial Bank and Sacco’s pledged support to the re-financing company”

A great way to fund the housing program is through collective investment schemes (CIS) where investors in one pool are brought together by the ideology of funding the housing. Dande who is the CEO of Cytonn investment which is a company oriented towards housing investments notes that one of the reasons why this might fail is because of the cap put on a scheme investing in one asset which is at 25% which he feels is very low (Dande, 2020). Any CIS has the role of capacitating its investors with the necessary information and updating it so that the investment is formed on a better base with informed decisions.

There are subsystems in the general housing market which vary from upper class market and small markets. The upper-class market gets their finances from financial systems as they are a part of the formal private sector. For workers in the middle class their market is subsidized just like that of the civil workers where some of them benefit from public housing (Renaud, 1987). The other subsystem which is big in Kenya is the incremental housing sub-market which lacks any access to funds from financial institutions and ends up constructing buildings with no conformity to construction guides, standards and regulation.

Research done by Chepsiror (2013) indicates that in the town of Eldoret which a typical urban town in Kenya Outdated planning regulations is the biggest challenge to Housing Development followed by Rising cost of land. On third is Scarcity of land with Infrastructure as shown in table 1 below. This is clear indication that if the planning regulations are not worked on then the funding of housing programs by international bodies like World Bank won’t be optimized. Chepsiror (2013: 46) states that “strategies identified to manage challenges on accessing low-cost housing in Eldoret town include provision of low-cost building materials, use of appropriate building technologies, low interest rates on building finance, sourcing funds from international communities and management and change of the current building code”

Table 1: Challenges encountered in house development: source (Chepsiror 2013)

Challenges	Mean	Standard Deviation
Low return on investment	4.26	.874
Rising cost of land	2.74	1.088
Scarcity of land with Infrastructure	3.54	1.099
High interest on capital finance	3.02	1.031
Complex land acquisition process	3.62	1.084
Outdated planning regulations'	2.26	.785

In Kenya the greatest providers of housing mortgages are the banks. Savings and Credit Cooperatives (SACCOs) which are increasing at high rate in the country are also a great source of finance for those interested in housing development which indicates that if their potentials are well harnessed then they could be a great source of housing finance beyond even the vision 2030. The Sacco's provide almost 90% of housing funds for Kenyans according to (housingfinanceafrica.org, 2019). This housing that involves mortgages and Savings and Credit Cooperatives (SACCOs) is aced by lengthy legal requirements and processes while on the other hand the interests are high. The government can subsidize the sector by reducing the lending interests from the central bank. Improving the mortgage market framework will provide a great boost to the highly growing residential sector in the developing countries. Housingfinanceafrica.org (2019: 2) states, "Improved mortgage market following the launch of KMRC and policy and legislative support through the State's Affordable Housing Program" In the latest years there has been a growing boost to the SMEs that are sprouting in the country the funding of these includes the SMEs that are oriented towards housing development.

In San Francisco the housing financing sources for affordable housing are tax credits for citizens, bonds that are tax exempted city gap loan, Low-Income Housing Tax Credits (LIHTC), multifamily housing program and permanent loans (mortgages) (Khadduri et al, 2012). These are the financing sources which the government of Kenya and the county government of Nairobi and other cities should focus towards considering that San Francisco is among the cities with the best affordable housing in the world. The Financing sources for affordable housing are as shown in figure 1 below (Khadduri et al, 2012).



Figure 1: Financing sources for affordable housing. Adapted from (Khadduri et al, 2012).

Lawson & Milligan's (2008) study goes into detail of assessment of programs and policies in a wider international view. They point that most of the policies being implemented worldwide are all focused towards low to middle/moderate-income household's rental and buying capabilities. These policies help in formulation of the strategies of funding of affordable housing program and involve mixing of regulations, laws and incentives. This is contained in the research titled "International trends in housing and policy responses" which means that these are the trends meaning the governments can jump on to them as they focus on emerging issues. Broadly, they shift the focus from financial incentives and subsidies to focusing on planners' levers and housing developer's incentives. Lawson & Milligan's (2008) describes that investing a lot in the process of planning has a lot of influence in the whole process of enabling affordable housing program in different regions with a focus on England. Lawson & Milligan's (2008: 18) states that "the use of the planning gains mechanism has made a significant contribution towards the integration of subsidized housing in new housing developments. This has largely been achieved by securing land for affordable housing in high value sites and by integrating provision of affordable units within the market development"

Menon et al, (2019) give their recommendations facing challenges in supply and demand side of the housing in Cities while giving their thoughts on the effective strategies. They divide the independent actors in the implementation of effective strategies into: City governments, Private-sector players and Non-profit organizations. The first players are expected to get a hold of their long-term goals that will help in getting the affordable housing into shape. These governments will look into the political considerations that will be in the path of the affordable housing sprouting. The City governments have

a big role of ensuring better and strong regulatory framework for the other two players (private sector and non-profit organization). On the private-sector players side Menon et al, (2019:6) states that they “need to keep abreast of emerging solutions in construction techniques and materials, work with governments to ensure an adequate flow of skilled labor, and consider new solutions in financing and innovative tenure models.” This goes in line with Lawson & Milligan’s (2008) argument of a focus on the trends and planning. This also points on the need for innovative technologies in the housing development which will improve even the considerations of funding. On the part of nonprofit organizations Menon et al (2019) opines that the biggest role to be played by the organizations is that of reducing the space between the private sector and the government sectors. They argue that if the non-profit organizations can reduce the gap between the two then establishing the funding and also implementation of the affordable hoses would be easier. The other role suggested for the non-profit organizations is that of ensuring that individuals are making informed decisions (Menon et al, (2019).

Funding as always is affected by the Costs which mean that it’s critical to look at the factors affecting the affordable housing costs. Menon et al (2019) discusses these factors. Broadly, they include: Building costs and maintenance costs. In less broad categories the Building costs are affected by land acquisition costs, construction approval costs, utility infrastructure costs, labor costs and materials costs. Also, in less broad categories maintenance costs include repairs, repainting and running costs. Understanding these costs will help in the development of a framework which can be used to request for funding from governments, nonprofit organizations and international bodies. (Anam, 2018)

Another context to look at is the Denmark’s social rented sector which has some good level of success in terms of achieving affordable housing. This will act as a benchmark for the model of funding which they implemented. The markets in the Denmark are full of social rented housing these have to involve a lot of associations that will be able to control the housing. Gibb et, al. (2013) describes that the funding for the affordable housing can be divided into capital grant and private sector loan with 14% and 84% respectively. The remaining 2% is contributed by the tenant. These loans are guaranteed by municipalities and include subsidies during the earlier years. The building fund in Denmark is what seems to push its housing to even providing surplus housing although the country is also favored by the consideration that it has one of the least income inequalities. (Gibb et, al. 2013) The figure 2 below shows the financing in denmark which involves a model that can be optimized in different countries.

% of construction price	Tenants' contribution	Capital grant			Support for running expenses/keeping up mortgage loan		
		State	Local Government	Realcredit/Danish mortgage LBF	State	Local Government	LBF
Nominal loans							
01.01.1999	2		14	84	100		
15.06.2001	2		7	91	199		
01.01.2002	2		7	91	29–47		53–71
01.01.2005	2		7	91	50		50
01.01.2007	2		14	84	75		25
01.01.2010	2		14	84	75		25

Figure 2: financial conditions for third sector housing development in Denmark, source (Gibb, et al. 2013)

The Canadian system which has also been successful has utilized the silent second mortgage which is paid when the house is sold by its first occupier. This is an innovation in the housing development that has been successful. (Gibb, et al. 2013: 26) says that “Funds can be in the form of a forgivable loan, grants, or a re-payable loan held as a silent second mortgage (payable at a point in time or on sale of the unit by initial occupier) to individuals. This ‘silent’ mortgage treatment is the significant innovation in the Programme”. This is an innovation which requires regulations and discipline from the tenants and would be best implemented by county governments as opposed to the national government, or even better the two governments can collude.

2.3 Chapter Conclusion

This chapter has provided an inner review to the literature pertaining to the opportunities for funding the affordable housing program. There was a clear focus on the different framework and models of funding that have previously worked in different regions. There was also a look into the factors affecting affordability of housing in Kenya and internationally.

CHAPTER THREE: RESEARCH METHODOLOGY

3.1 Chapter introduction

This chapter will give details on the methodology which will be applied in study of funding opportunities for affordable housing program with the special focus on Kenya. The methodology paradigm will be based upon the literature review done in the previous chapter. This chapter will form a strategy for a look into the relationships between the different research variables. This section has a look into the different variables specifically for Kenya affordable housing.

3.2 Research design

Analytical approach will be applied in this study to gather the relevant data. This study involves both qualitative and quantitative data which will be concerned with the qualitative and quantitative phenomenon of the funding of affordable housing program in Kenya. Considering that there is a project under the affordable housing program in Kenya that is complete then incorporating a case study research design will be helpful in ensuring that the research captures all the information and contributes highly to knowledge.

The research will follow the deductive approach and argument where there will be imagination of a finite population and investigating the research samples got from the population by probability. The incorporation of probability helps a lot in improving the reliability of the study results.

The required data will be obtained by presenting questionnaires to respondents in different finance sectors in the region and who have knowledge on financial sourcing for housing. The target may not be specifically oriented towards the affordable housing program. The specific questionnaire will be completed by the experts at any level of the financial and fiscal system and at different stages of the companies' hierarchy and in different departments. This will give a clear picture of the funding opportunities for the affordable housing program. This is the best time to do this research considering that the program is being dealt with a lot of urgency and also there is a great need of data that will help informing the models and framework of financing.

The following will be the basis of data collection;

1. Are there funding opportunities in the affordable housing program?
2. How different are the funding opportunities in the affordable housing program than in other housing developments?
3. Are there drawbacks in the funding opportunities in the affordable housing program?

4. How can the funding opportunities in the affordable housing program be optimized?

These are dimensions of the research concept from which the research indicators will be developed. The indicators of the research will be the questions that will be posed to the respondents. This will give the ideas, opinions, thoughts, alignments of the respondents and even their expectations in relation to the research. In good sampling and choice of the indicators there will be a good index for the analysis. Kothari, (2004) describes that the research's design gives the map of how information will be collected, the instruments, data measurement and analysis.

Because the population is big the research will apply sampling survey.

3.3 Sampling Procedures

In the consideration of the nature of this research where it deals directly with humans both deliberate means of sampling and random means of sampling will be employed. Deliberate or targeted sampling will be employed in choosing the companies, organizations and work areas, this will give convenience. Random sampling will be employed in choosing the people to fill questionnaires and will go a long way in avoiding biased data. Online google forms and questionnaires will be utilized in this study. The companies, organizations, institutions and groups will be approached and made to understand the need for this research. This will provide willingness for the respondents to be recruited for the short period of filling the questionnaire by online means.

3.4 Data collection methods

This research is based on previous journals and other forms of secondary data as reviewed in chapter two of this study. The primary data for this study is what will be worked on and will be collected by use of questionnaires sent to the respondents with a request letter that will make the respondents to be comfortable answering the questions. Through these methods a secondary data accruing from the respondents will be considered and evaluated if helpful for the research. The questions will help to derive the relevant information and evidence for data analysis which will help in drawing the conclusions and justifications.

Reliability is the level to which the questionnaire or any indicative procedure gives the same conclusion on repeated trials. The research will need a lot of consistency of the data and this is what necessitates the need for high care in sending the questionnaire.

3.5 Questionnaire Design

This type research requires a questionnaire survey as the research tool of obtaining primary data. The questionnaire in this research is a development of the literature review.

As a means of gathering the required information, the following types of questions will be used in the questionnaire:

- Several semi-open questions; questions providing answers, but allowing for open comments in order to get clarification of follow up.
- Open-ended questions. These questions allow the respondents to answer in their own words and freely express themselves.
- Scaled-response questions.

3.6 Data analysis

To examine the data obtained the critical thinking skills will be applied. The data collected will be put into related groups/categories. Then content analysis will be done so that to give the data in manner that is understandable. Some of the data will be input into excel and expressed as graphs or charts so that they make more meaning. The groups will be formed on the basis of what the data suggest/mean the respondents and the degree of relation to the rest of the information.

3.7 Chapter conclusion

Following the literature review there was a need to give the framework of how the data for the research will be collected and analyzed. This chapter has provided the collection instrument and the sampling methods.

CHAPTER FOUR: FINDINGS AND RESULTS

4.1 Introduction

This chapter four focuses on conveying and discussing the findings from the filled questionnaires and also conveying their relation to the other chapters.

The feedback was generally positive and the completion of the questionnaires took 3-7 minutes. The questions were made in a way that they would achieve the highest efficiency.

4.2 Response Rate

The distribution of the questionnaire was done via online means (WhatsApp). The study targeted 100 respondents. The response was not perfect but gave a good number of responses from the experts in the Kenyan society. The respondents filled the questionnaire on their goodwill.

64 respondents were able to respond to the questionnaire which provided enough information within a short time frame. This was a 64% response rate. (Mugenda, 1999) Opines that a response rate of 50% or half is adequate for findings and results analysis, discussion and reporting; a higher rate of 60% is good and a response rate of 70% and can be considered as excellent. The response rate in this particular rate was good which means that analysis and reporting could proceed with the responses. Responses that were filled after the time of compilation were excluded from this chapter.

4.3 General information on the respondents

Most of the respondents were within the banking, actuaries, economics and investments sectors. At the start of the questionnaire, they were supposed to indicate if they had enough information on the housing sector. Majority of them indicated they were well aware which increases the efficacy of their responses.

4.4 Body

Challenges in the Kenyan Affordable Housing Development

From the Figure 3, 65.6% of the respondents indicate that rising cost of land as the greatest challenge. The rising land cost in Kenya and especially in highly populated areas makes this unattractive to the investments under this program. Other challenges identified were (12.5%) high interests on capital to finance housing. Capital required to acquire land; finance related housing infrastructure are too high. (12.5%) complex process in land acquisition in Kenya remains a challenge investor are faced with. Sometime there is lack of clarity on land ownership and this leads to long legal battles. Finally (9.4%)

continued use of outdated planning processes and regulations is a hindrance to effectiveness of this program.



Figure 3: Challenges in the Kenyan Affordable Housing Development

Effect of Pension funds in affordable Housing

Respondents were asked if the pension fund had any contribution in the affordable housing. It is clear that a majority (68.8%) believe pension funds did not play a huge role in the affordable housing program. Only (31.3%) believe that pension funds had a role in affordable housing.

The influence of pension assets which constitute a large pool of funds in the affordable housing has been of little significance. According to the results below, a majority of respondents agree that pension funds have not been felt in affordable housing. The associated reasons would be that; trustees and fund managers of the pensioners could have inadequate knowledge of the affordable housing in the low incoming segment, the capital markets in Kenya are still unattractive and this limits the investment options for the pensioners, low pension funds to finance lumpy investments, and that a number of private schemes are facing substantial liabilities as some members are nearing the retirements.

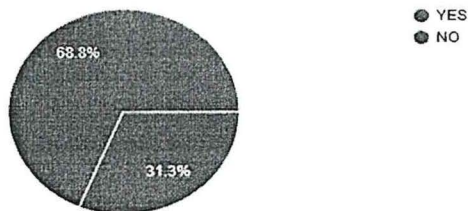


Figure 4: Effect of Pension funds in affordable Housing

Role of Private Equity Investment

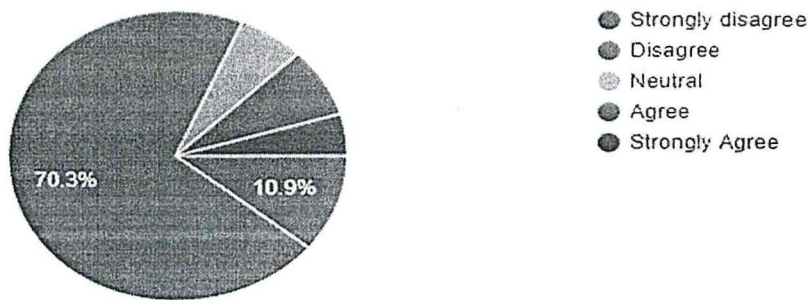


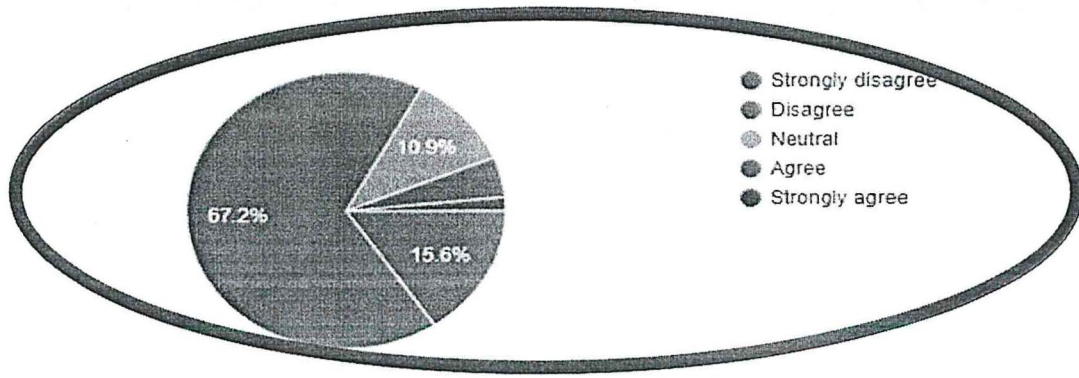
Figure 5: Role of Private Equity Investment

Majority of the respondents (70.3%) disagree with the opinion that the private equity investments is effective in funding affordable housing program. Private equity investment has been low on this program due to risk associated, lack of clear guidelines on who is required to maintain the affordable houses and low-cost housing may not meet the expected returns. The (10.9%) of the respondents who believe that private equity from local realtors or investors have made its way into the program maybe driven by the facts that few private equity funds have made significant investments on this program. Figure 5 clearly shows that private equity would only be attracted to this government program if the arrangements are long-term based, therefore having large control on returns.

Foreign Investment on affordable housing

The significance of foreign fund contribution to the affordable housing program is little. Majority of respondents (67.2%) feels that foreign funding investments have not yet been felt in the program. Foreign funding in affordable housing program has been low according to Hass Consult, due to what is said to be lack of clear property ownership in the country. Another reason is that foreign investors target huge profits and the affordable housing has not attracted foreign investors who only target suburbs in high edge estates in Kenya. The (15.6%) respondent who agree that the foreign investors have made advances into the program could be supported by the fact that of late reports indicate signing of agreements between Kenya and UK Acorn Housing among other realtors who have promised to deliver hundreds of thousands houses under the program

Figure 6 : Foreign Investment on affordable housing



Government Subsidies on affordable housing program

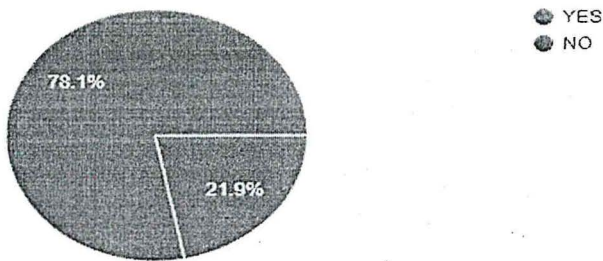


Figure 7: Government Subsidies on affordable housing program

The role of Government in scaling up affordable housing has over time not been a priority in national development strategies and as figure 8 shows, (78.1%) of the respondents believe that government has not offered enough subsidies in this program, and only (21.9%) hold that there are some government subsidies in the program. The subsidies in this would take a whole comprehensive approach such as access to land, infrastructure, financing gaps and the legal systems involved. Government subsidies would likely attract investment who would be also come through partnership such as public-private agreements. Improving the subsidies policies which target the low-income earners would allow penetration of investors in this sector.

Best source of funding

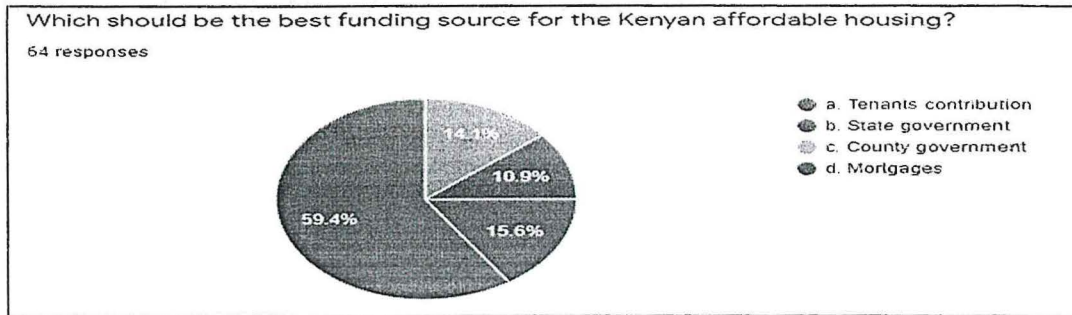


Figure 8: Best source of funding

The respondents inclined to the government source of funding for the affordable housing. In developed countries the source of funding is largely shared between the banks and the non-banking sources. The sourcing of the funding largely affects the capital availability for the developers. In essence the funding in the housing fund is from the government but deducted from the contributors at a 1.5% rate. The respondents feel that the best source of funding should be the state government, the second group of respondents thought that tenant contribution should be the best source of funding. Tenants' contribution and state government contribution are tied when the future tenants are deducted from their salaries.

Fewer number of respondents felt that county government and mortgages are the best source of funding. The county governments have a less pool of resources which would be one of the reasons why the respondents had less trust in the source of funding. Mortgages accrue interest which would be a burden to the tenants in the long term. The government can intervene by reducing the amount of interest on the mortgages, this would remove one of the obstacles in pulling a pool of fund for the affordable housing.

Appropriateness of the Current Channels of Funding

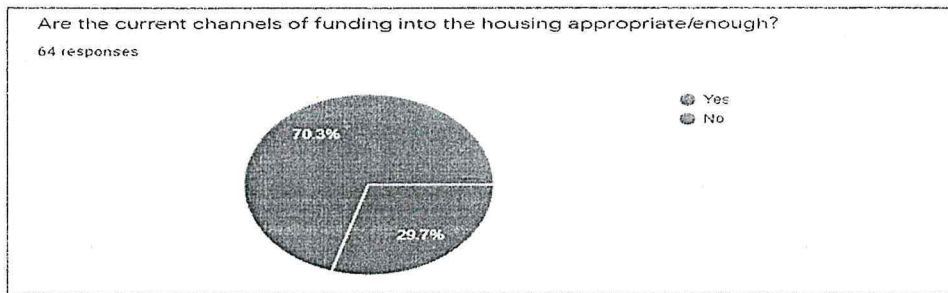
This question aimed at gauging the adequacy of the channels that have been developed in meeting the expected housing funding. This was divided between yes or no. 70.3% of the respondents felt that the channels were not adequate while 29.7 % felt that the existing channels had the capacity to meet the demand.

With the high demand for housing then there would be no harm in the government intervention in ensuring that more channels are brought to board. The housing tax levy being the largest source of funding needs to be boosted with a consideration of the timeline when the project is supposed to be completed. There is a lot to learn from the developed countries which have achieved proper housing

with less deficiency. There would be more channels if an environment with less obstacles was maintained.

A vibrant housing finance market can be catalyzed through the approval of more trustees in the market. Currently the number of trustees is low in Kenya. Collective investment schemes in the housing sector are meant to bring together like-minded investors who wish to pursue a common investment objective within a regulated structure. However, our CIS regulations in the Kenyan sector currently require that the maximum a scheme can invest in one asset class is low.

Figure 9: Appropriateness of the Current Channels of Funding



Effective Channels of Private Investment Funding

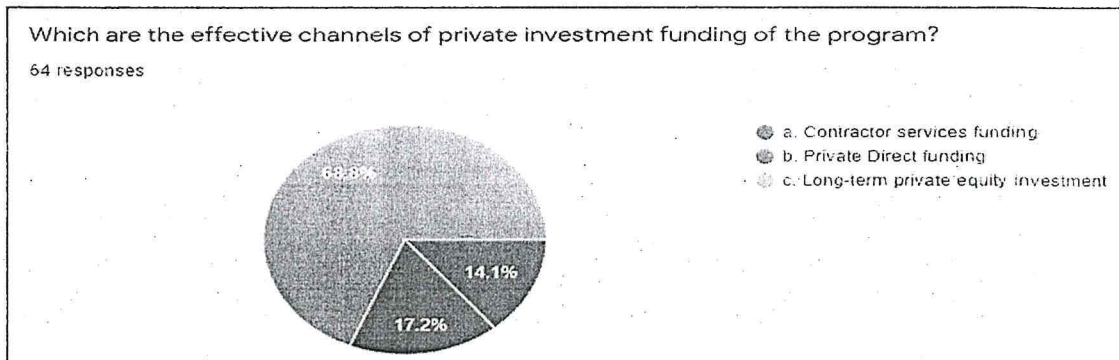


Figure 10: Effective Channels of Private Investment Funding

The different channels of private investment funding are contractor services funding, private direct funding and long-term private equity investment. The largest percentage of respondents felt that long-term private equity investment is the most effective source of private investment funding. 68.8% opted for it. These seems to be an opportunity in the channel which needs to be utilized and the development of a better structure for this channel of funding. The second largest number of respondents (17.2%) opted for private direct funding as the effective channel. This can be in form of venture capital or seed

investing by private entities. Contractor services funding had the least choice by the respondents with only 14.1% going for it.

There are other channels which were not considered in this study but need to be checked in future. It's clear also that in Kenya there is need for a good structure for the private source of funding.

Creating accessible financing solutions

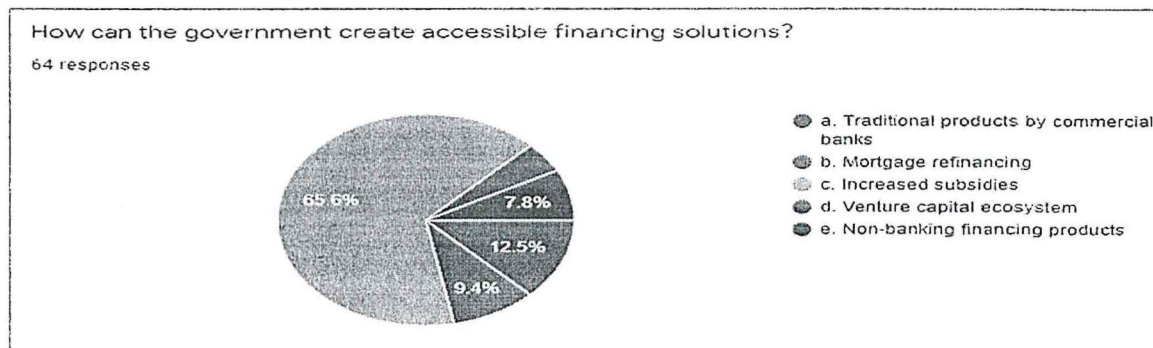


Figure 11: Creating accessible financing solutions

The largest number of respondents felt that the government can create more accessibility of financing solutions through increased subsidies. 65.6% picked the increased subsidies choice. The government can subsidize the levies, mortgages, banking sources of financing and the non-banking sources of finance. There need for increased subsidies especially for the low-income households. Traditional products by commercial banks got the second largest number of respondents at 12.5%.

Mortgage refinancing was the third with 9.4%. Affordable housing Loans extended to Primary Mortgage Lenders to re-finance mortgage loans capped at KES 4 million in Nairobi metropolitan area was a mandate of the Kenya mortgage refinance company. This allows the citizens to get better terms for the mortgages.

Non-banking financial products were the fourth with 7.8%. This means that there are less Kenyans who trust the non-banking financial products. To allow accessibility to this source of funding then there should be more enlightenment by the experts and government. The last choice was venture capital ecosystem. The impact of government intervention in creating a venture capital ecosystem is often overlooked.

Failure in the funding

59.4% of the respondents feel that there has been more failure in the encouragement of savings and contributions of home ownership. The culture of savings needs to be cultivated in the country perhaps through the education system. This will act as a great catalyst in the achievement of the affordable housing in the future. This is a failure that can be attributed to individual people and to systems at large. With rural setup being large in Kenya then the aspect of home-ownership hasn't been a problem to many Kenyans previously. With the dynamics brought by the rural to urban migration then the idea of saving and contribution for home ownership needs to be emphasized to the citizens.

Bringing together the stakeholders had the second number of respondents. This is under the role of the government and the ministry of finance and ministry of infrastructure and urban development. At 9.4% is harnessing of economies of scale. Getting the benefit of economies of scale may help the large-scale project especially when there is coordination during the construction.

There is a lot that needs to be done in the mobilization of private and public capital and liability capping. Most of the respondents felt that these two had a lot of failures in the affordable housing project.

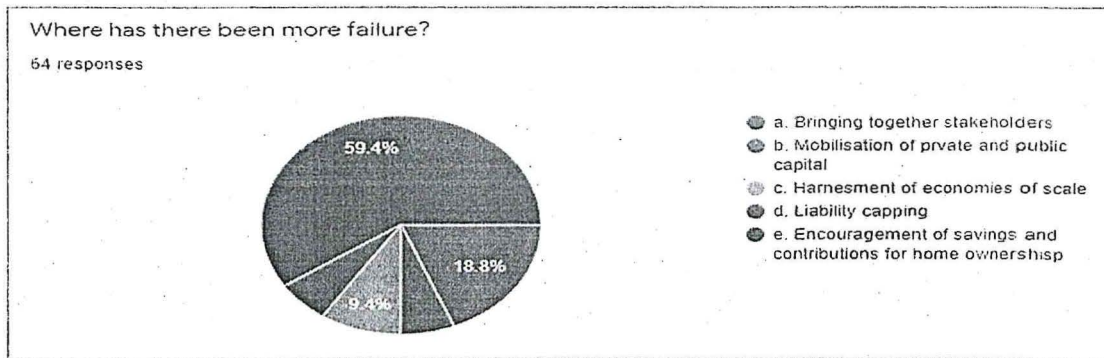


Figure 12: Failure in the funding

Need for enhancement going forward

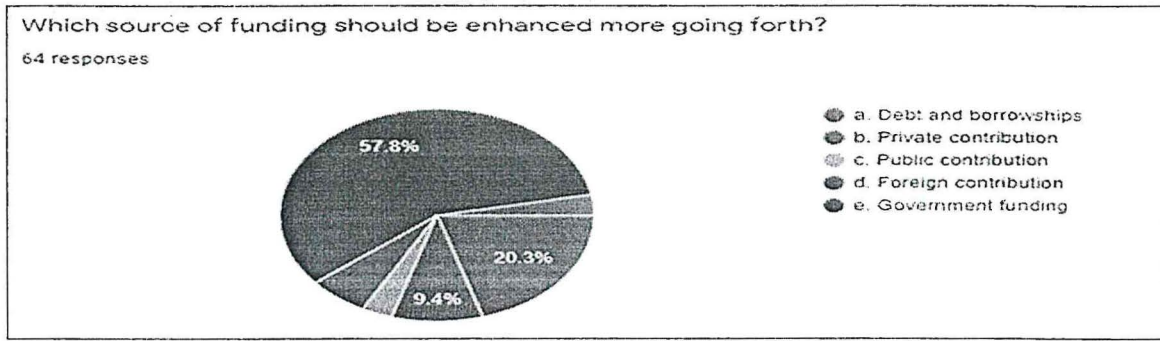


Figure 13: Need for enhancement going forward

The largest number of respondents feels that government funding should be more enhanced going forward. In one way the government funding will still go back to the individual tenants and private entities through the housing tax levy. The funding of the project should be approached from a matrix manner where different contributors play their role.

CHAPTER FIVE: CONCLUSION AND RECOMMENDATIONS

The main objective of this study was contribution towards improvement in the affordable housing framework mainly focusing on the funding opportunities available and those not yet fully explored. This involved presenting questionnaires to respondents in the finance sector. The task required:

1. Examine the channels of funding of the affordable housing program.
2. Explore the challenges and channels of affordable housing funding.
3. Examine the role of private sector in the funding of affordable housing program.
4. Examine the role of Incentives and subsidies in improving the accessibility to affordable housing.

In examining the channels of funding, we looked at the role of pension funds in affordable housing program, impact of foreign investment on affordable housing, state contributions, tenants' contribution and mortgages. Findings showed that state contribution was the best source of funding followed by tenants' contributions. State contributions and tenants' contribution are tied when tenants are deducted from their salaries. Mortgages have not yet played a huge role in funding since they accrue interest over time.

The challenges that faced affordable housing program were rising cost of land, high interest on capital to finance housing, complex land acquisition process and outdated planning processes and regulation. Based on the findings rising cost of land was the major challenge that affected affordable housing program and the cost of land was more especially in highly populated areas. It was followed by high interest on capital in addition to this the capital required to acquire land and housing infrastructure was also high.

Results show that the private sector did not play a huge role in funding of affordable housing program. The impact of pension funds was low even though they constitute large pool of funds. This is because private schemes may have been facing substantial liabilities as some members are about to retire and also that fund managers of pensioners could have little knowledge about affordable housing. According to Hass Consult, there has been little foreign investment in affordable housing program due to lack of clear property ownership. Private equity investment arose as the most effective source of private investment funding based on the findings but it has been low due to lack of clear guidelines on who is to maintain the affordable houses and also that low-cost housing may not meet the expected returns.

The government subsidies would include access to land, infrastructure, financing gaps and involvement of legal systems. Results show that government has not offered enough subsidies in the affordable housing program. Government subsidies play a role in attracting investment into the program allowing for more public-private partnerships. Subsidies policies that target low-income earners would allow for penetration of investors in the program. As mortgages accrue interest over time, government intervention by reducing the amount of interest on mortgages would remove one of the obstacles in pulling a pool of fund for the affordable housing.

RECOMMENDATION

This project used primary data which was collected through a questionnaire. In future we would recommend coming up with a comprehensive approach to finding the funding opportunities for affordable housing program. This will increase the efficiency of the study leading towards better contribution to knowledge.

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