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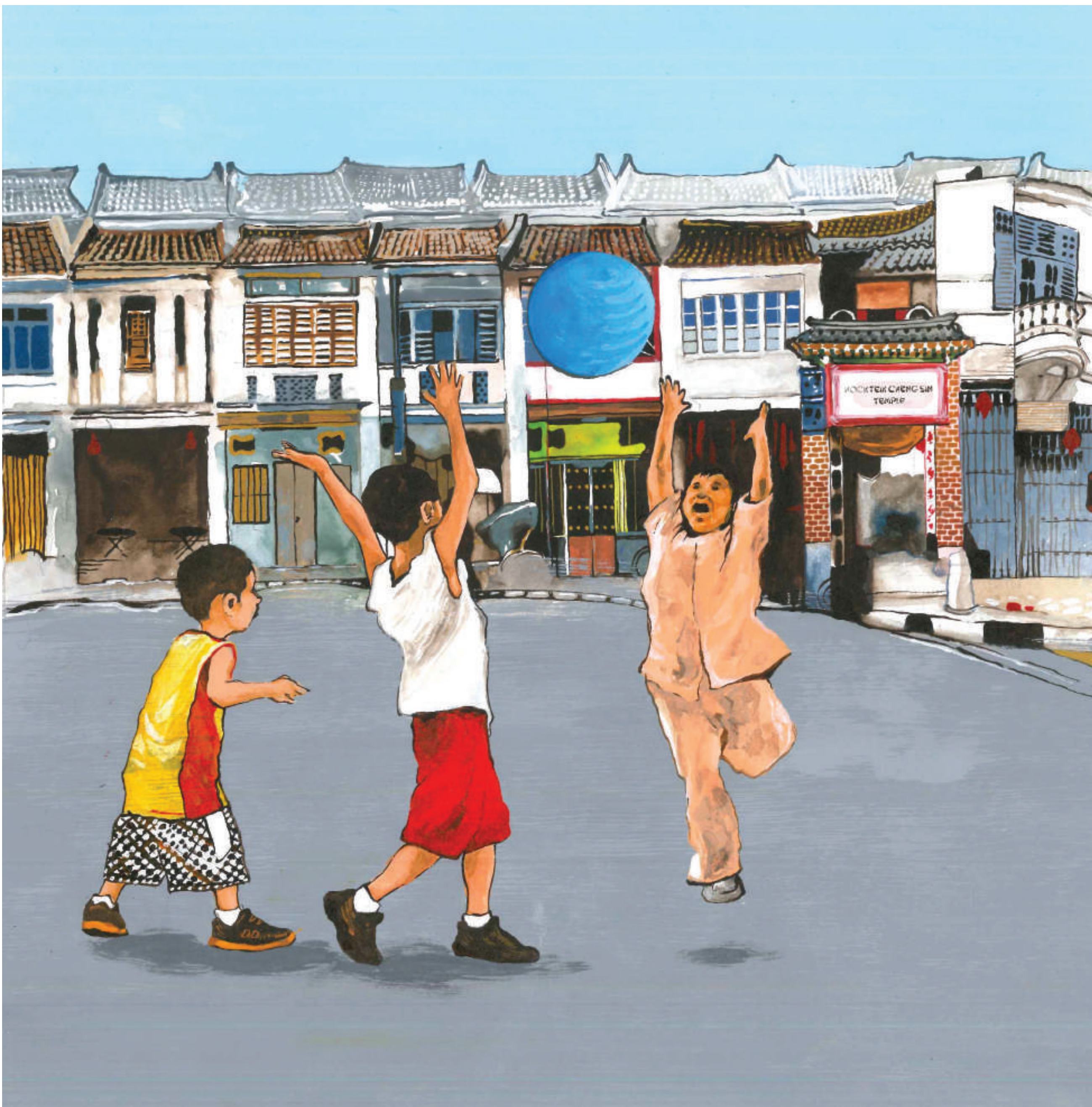
# BUILDING SOCIAL CAPITAL: THE GEORGE TOWN EXPERIMENT




BUILDING SOCIAL CAPITAL: THE GEORGE TOWN EXPERIMENT

KHAZANAH RESEARCH INSTITUTE

# BUILDING SOCIAL CAPITAL: THE GEORGE TOWN EXPERIMENT

KHAZANAH RESEARCH INSTITUTE

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## ABBREVIATIONS

| | | |
|---|---|---|
| ACCA | : | Asian Coalition for Community Action |
| ACHR | : | Asian Coalition for Housing Rights |
| C | : | Ghanaian Cedi |
| CDF | : | Community development fund |
| CODI | : | Community Organizations Development Institute |
| CPI | : | Consumer Price Index |
| CRA | : | The Control of Rent Act |
| CSG | : | Community savings groups |
| DHCR | : | Division of Housing and Community Renewal |
| DRT | : | Deregulation Rent Threshold |
| EPCA | : | Emergency Price Control Act |
| ETPA | : | Emergency Tenant Protection Act |
| ft | : | feet |
| GBP | : | British Pound Sterling |
| GLA | : | Greater London Authority |
| GTGP | : | George Town Grants Programme |
| GTWHI | : | George Town World Heritage Incorporated |
| HDA | : | Housing and Development Association |
| HSF | : | High Street Fund |
| ICOMOS | : | International Council on Monuments and Sites |
| IIED | : | International Institute for Environment and Development |
| LEP | : | London Enterprise Panel |
| LRF | : | London Regeneration Fund |
| MBR | : | Maximum Base Rent |
| MDAG | : | Mayor's Design Advisory Group |
| MRF | : | Mayor's Regeneration Fund |
| NAPIC | : | National Property Information Centre |
| NGO | : | Non-governmental organisation |
| NYC | : | New York City |
| OCH | : | Office of the Historian of the City of Havana |

## ABBREVIATIONS

| | | |
|---|---|---|
| OLF | : | Outer London Fund |
| OUV | : | Outstanding universal value |
| RM | : | Ringgit Malaysia (Malaysian Ringgit) |
| RSL | : | Rent Stabilization Law |
| SHC | : | State Housing Corporation |
| sq ft | : | square feet |
| TC | : | Think City |
| THB | : | Thai Baht |
| UCDO | : | Urban Community Development Office |
| UNESCO | : | United Nations Educational, Scientific and Cultural Organization |
| USD | : | United States Dollar |
| WHS | : | World Heritage site |
| WWII | : | World War 2 |

## GLOSSARY

| | | |
|---|---|---|
| Community development fund | : | A fund set up to promote sustainable development in social and economic change by providing financial support to communities in generating solutions to local issues.<br>*Source: World Bank (2014)* |
| Gentrification | : | The process of neighbourhood renewal and rebuilding, accompanied by a shift in the demographic composition of the community and the displacement of long-time residents and/or businesses.<br>*Source: Institute for Local Government (2010)* |
| Inflation | : | A general increase in prices, usually expressed as an annual percentage rate of change. |
| Microfinance institutions | : | Institutions that finance micro enterprises through small loans. Microfinancing is meant mostly for business financing, such as for working capital and for capital expenditure. It is not a personal loan.<br>*Source: Bank Negara Malaysia (2012)* |
| Outstanding universal values | : | Cultural and/or natural significance, which is so exceptional as to transcend national boundaries and to be of common importance for present and future generations of all humanity. As such, the permanent protection of this heritage is of the highest importance to the international community as a whole. The Committee defines the criteria for the inscription of properties on the World Heritage List.<br>*Source: UNESCO (2016)* |
| Price ceiling | : | A government-imposed upper limit on the price that may be charged for a product.<br>*Source: Deardorff (2006)* |
| Savings group | : | A group of individuals who would meet at a specified period to save together, lend their savings to each other with interest and eventually, share the profit.<br>*Source: Allen and Panetta (2010)* |

## GLOSSARY

| | | |
|---|---|---|
| Soft loan | : | Loans with zero or below market interest rates.<br>*Source: Highfield and Gorse (2009)* |
| Subletting | : | To lease all or part of a property held by a tenant during his or her leasing period. |
| Urban regeneration/ redevelopment | : | The revitalization of residential, commercial, industrial and retail districts. This may involve building new construction on a site that has pre-existing uses or renovating existing uses on a site.<br>*Source: Institute for Local Government (2010)* |
| Vacant possession | : | An obligation by the seller to guarantee the buyer's immediate exclusive possession, occupation and control of the property subject to vacancy or the duly completion of construction as the Architect has certified for the buyer; water and electrical supplies are connected to the property; the buyer has made full payment under the law; and the property is accompanied with the Certificate of Completion and Compliance.<br>*Source: REHDA Institute (n.d.)* |

# EXECUTIVE SUMMARY

This report highlights the benefits of a community development fund (CDF) in alleviating the pressures of social displacements in top-down urban regeneration development. The scale of big urban regeneration projects and the scale of displaced communities are different. The former is at a national/state or city level whilst the latter can be at the scale of neighbourhoods. Therefore, the existence of a CDF to complement wider urban regeneration strategies is critical towards making city development more inclusive.

An experiment to combat the ill-effects of gentrification due to urban regeneration projects was conducted in the George Town World Heritage Site (GTWHS). Prior to its inscription as a Heritage Site in mid-2008, GTWHS had a total of 18,660 residents. By the end of 2009, this number had almost halved to only 10,159 residents. The population of GTWHS had continued to decline, albeit at a slower rate. Between 2009 and 2013, it is estimated that as many as 591 households left GTWHS. Unfettered gentrification creates displacement of the original communities and their multicultural lifestyles. The sale of buildings from one owner to another has contributed to rents becoming more expensive for the existing renting population.

Examples in other cities regionally have shown that uprooting communities from their conventional and historical communal physical settings have had mixed outcomes in terms of success or failure. When communities are relocated, some do well in new residential places. This may be due to several reasons ranging from better social amenities to readily available transportation facilities. These factors are congenial to the emergence of a social fabric where new communities thrive. Other sites have struggled. In later years, these new residential sites become the ‘new’ urban slums. The salient point to note is that most of these programmes are planned and driven by technical professionals without engaging the most relevant stakeholders, the communities themselves. As a result of this non-participatory approach, the suggested initiatives usually fail to address the problems faced by the affected communities. The objective of the experiment was to address the shortcomings intrinsic in the non-participatory approach by creating a CDF.

The Hock Teik Initiative or the Pilot Project, the first recipient of the CDF initiative, was designed to empower tenants to negotiate for their tenancy rights by proving that they are willing to shoulder some financial burden towards the upgrading of their homes. The financial investments made to the upgrading of their rented homes renders the tenants as stakeholders of the regeneration project.

A new funding mechanism was created where the combination of a matching grant to property owners and a collective loan to the tenants gave rise to a new method of providing affordable renting at a fixed price. It was also sustainable because the mutually agreed rent-price addressed both parties' financial burdens, even though it was below the market rate. The inherent problems of city level rent control were prevented in this localised initiative. Therefore, the CDF has managed to institutionalize, at the neighbourhood level, a process that promotes rent determination and stabilization that is both inclusive and sustainable.

The Pilot Project has led to the on-going creation of a CDF in GTWHS. The CDF methodology nurtures a positive working relationship between communities and their building owners as well as local governments, leading to more inclusive plans, programmes and practices in cities.

CDFs do not treat vulnerable communities merely as passive beneficiaries of externally driven initiatives or financial aid, but as active stakeholders in the redevelopment process. This is the main objective of inclusive city development—to provide opportunities for communities from different income brackets to have a stake in the redevelopment of their towns and cities.

The achievements of CDF programmes elsewhere in Asia and in GTWHS specifically are commendable. We propose for the creation of CDFs in respective towns and cities in order to complement wider urban regeneration strategies in Malaysia.

**Step 1: Establish the need to create the CDF**

The need to establish a CDF is incumbent on the urban challenges faced by communities in respective towns and cities. Examples can include housing tenancy, environmental degradation and even improving public spaces. The need can be assessed through empirical surveys or direct consultation with disadvantaged communities.

**Step 2: Institutionalize the CDF in a local municipality**

A formal body is set up in the affected local municipality, as in the case of GTWHS. Funding agencies can contribute directly to the CDF, with the understanding that participatory-led developmental initiatives have a longer time frame for completion. Given that the CDF is embedded within the local governance structure, the respective municipal councils can ensure that community projects are integrated within wider city-making initiatives.

# INTRODUCTION

# INTRODUCTION

One of the greatest challenges in Asia's fast-growing cities is finding a sustainable solution for the problems of urban slums. These are normally tackled through urban regeneration programmes.

Urban regeneration programmes are viewed as inclusive if they prevent the social displacements of the urban poor and vulnerable groups. When communities are relocated, some do well in new residential places. This may be due to several reasons ranging from better social amenities to readily available transportation facilities. These factors are congenial to the emergence of a social fabric where new communities thrive.

Other sites have struggled. In later years, these new residential sites become the 'new' urban slums. To alleviate these problems requires the injection of more capital and social programmes.

It is extraordinary to note that most urban regeneration programmes are planned and driven by technical professionals without engaging the most relevant stakeholders, the communities themselves. As a result of this non-participatory approach, the suggested initiatives usually fail to address the problems faced by communities.

Apart from investing capital back into a depressed area, urban regeneration programmes have many objectives. It is also meant to increase the standard of living for the general population. For any real estate developer, be it from the private sector or the government, it involves considerable risk and expenses. The way in which to manage such exorbitant development costs is to ensure that economies of scale are at work; this is the fundamental reason for a heavy 'top-down' physical planning approach for urban regeneration initiatives.

This report highlights the benefits of a small grants programme in alleviating the pressures of social displacements in top-down urban regeneration development. The scale of big urban regeneration projects and the scale of affected displaced communities are different. The former is at a national/state or city level whilst the latter can be at the scale of neighbourhoods. Therefore, a grass-root developmental grants programme—community development fund (CDF)—can complement wider urban regeneration strategies. Both methods working in tandem is critical for inclusive city development.

## Strategic Grants to Aid Sustainable Housing Initiatives

Think City's[1] (TC) George Town Grants Programme (GTGP) was created in 2009 to rejuvenate the city with site owners and relevant associations through a public-private funding approach. In 2010, TC began to introduce new approaches for urban regeneration projects by engaging both site owners and tenants. The objective was to create a viable affordable housing scheme within the inner-city areas, thereby preventing social displacement of the original residents. This approach took into consideration the history of the communities that have lived there for generations.

The Hock Teik Initiative or the 'Pilot Project', the first of its kind in Malaysia, was designed to empower tenants to negotiate for their tenancy rights by proving that they are willing to shoulder some financial burden towards the upgrading of their homes. This scheme was adapted from Thailand's Baan Mankong Collective Housing Programme by its Community Organizations Development Institute (CODI)[2], with a similar programme being championed across Asia by the Bangkok based Asian Coalition for Housing Rights (ACHR)[3].

1 TC is a community-focused urban regeneration organisation established in 2009. Their goal is to create more liveable, resilient and people-centric cities. They started with rejuvenating the historic city of George Town, Penang and expanded into 3 other cities: Butterworth, Kuala Lumpur and Johor Bahru. Today, TC partners with local governments, international agencies and various local communities.

2 CODI is a public organization formed in 2000. Their goal is to build a strong societal base using the collective power of community organizations and civil groups. CODI seeks cooperation among the community organizations, development partners and policy makers.

3 ACHR is a coalition of Asian professionals, NGOs and community organizations established in 1988. They aim to solve Asia's urban poor housing problems by engaging with communities. It has 19 key members, namely Cambodia, Japan, Malaysia and Pakistan.

The Pilot Project has led to the on-going creation of a CDF in George Town World Heritage site (GTWHS). The CDF methodology nurtures a positive working relationship between communities and their building owners as well as local governments, leading to more inclusive plans, programmes and practices in cities.

The CDF does not treat vulnerable communities merely as passive beneficiaries of externally driven initiatives or financial aid, but as active stakeholders in the redevelopment process. This is the main objective of inclusive city development: to provide opportunities for communities from different income brackets to have a stake in the redevelopment of their towns and cities.

The achievements of CDF programmes elsewhere in Asia and in GTWHS specifically are commendable. We propose that CDFs are created in respective towns and cities in order to complement the wider urban regeneration strategies in Malaysia.

# CHAPTER 01

CHAPTER 1

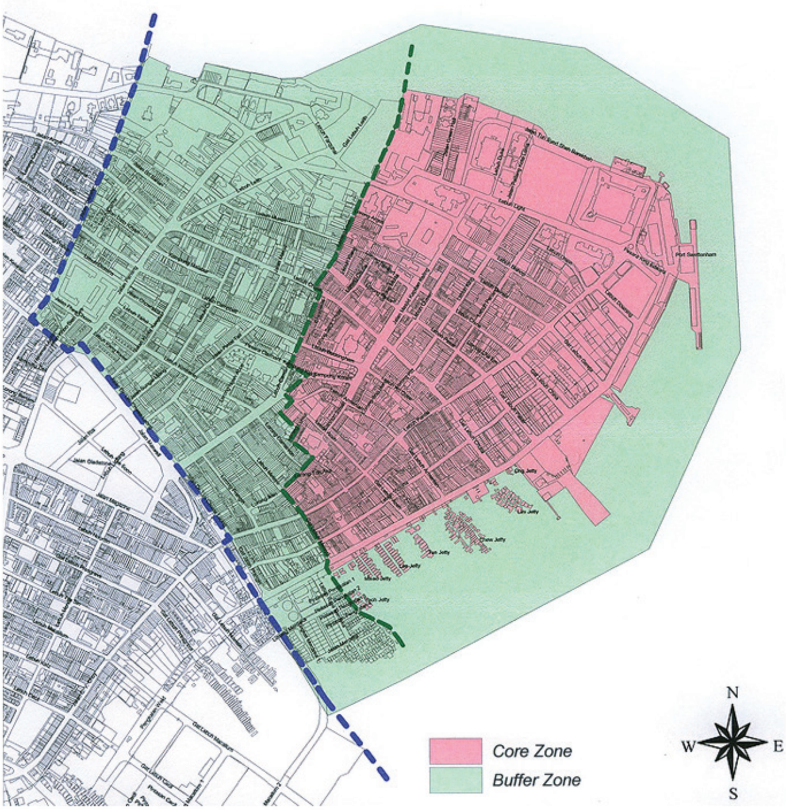
# URBAN REGENERATION: THE NEED TO INTERVENE

## The George Town Conundrum

The designated core zone of the Historic City of GTWHS covers an area of 109.38 hectares. This core zone is bounded by the Straits of Malacca on the northeastern cape of Penang Island, Lorong Love (Love Lane) to the northwest and Gat Lebuh Melayu and Jalan Dr Lim Chwee Leong to the southwest corner. The core zone is protected by 150.04 hectares of the buffer zone, bounded by the stretch of sea area around the harbour, Jalan Prangin to the southwest corner and Jalan Transfer to the northwest corner. A total of 1,715 heritage buildings within the core zone and an additional 1,928 heritage buildings in the buffer zone have been identified as having significant cultural and historical value. These buildings form part of the largest existing collection of pre-World War 2 (WWII) buildings in an urban centre within Southeast Asia[4].

[4] Penang State Government (2008)

**Figure 1: Map of GTWHS**




Source: George Town World Heritage Incorporated (GTWHI) (n.d.)

While conservation plans for pre-WWII historical buildings and monuments have been initiated and developed from as early as the 1970s, initiatives to conserve the intangible cultural heritage and social fabric of the inner-city residents have remained limited. As a consequence, the enactment of the Control of Rent Act (CRA) 1966 has largely aided the preservation of the overall integrity and authenticity of both the tangible and intangible values of GTWHS. Before it was fully abolished in the year 2000, the CRA 1966 granted original tenants in the inner-city area the right to enjoy low rental rates for housing and thus allowed these residents to continuously inhabit and practice their trade in the pre-WWII shop houses within the inner-city area. The preservation of this cultural landscape, both the built form and the residents who make up the inner-city communities, has allowed GTWHS to establish itself as a living testimony of the multi-cultural heritage and tradition of a colonial trading town on the Straits of Malacca. With this, GTWHS fulfilled the requirements it needed to be inscribed into the United Nations Educational, Scientific and Cultural Organization's (UNESCO) World Heritage List.

In recent years, however, two distinct policy shifts have indirectly dismantled the social fabric of GTWHS: the repeal of the CRA and the inscription of George Town as a UNESCO World Heritage site (WHS) in 2008.

## Rising rents, dwindling residents

Prior to its repeal in 1997 and its subsequent abolishment in 2000, the CRA, which regulated rental rates of all buildings built before 31 January 1948, affected approximately 12,577 dwelling units in Penang. More than 60% of these units are located in the inner-city core, housing approximately 16,116 households[5]. The legislation not only regulated the rental rates of these buildings but effectively protected existing tenants from being evicted. While the CRA granted landlords the right to reclaim their premises for the purposes of redevelopment or for their own use, property owners often had to substantially compensate existing tenants to do so[6]. Consequently, tenants of buildings protected by the CRA generally stayed put and the low rental rates that they enjoyed only reflected about 10-20% of the current market prices at the time[7].

[5] Lee (2000)
[6] Ibid.
[7] Ibid.

When the CRA was finally repealed in 1997, many property owners of pre-WWII buildings took the opportunity to cash in on the long overdue capital appreciation of their assets. A substantial number of heritage buildings flooded the property market from 1997 onwards resulting in an oversupply of these types of units being put on sale. While the total transactions for heritage properties continued to increase annually until 2000, the prices of these units fluctuated during the period. The prices of pre-WWII shop houses increased in 1997, driven by the expectation of vacant possession by 2000. However, this exuberance did not last as oversupply coupled with the 1997/98 Asian Financial Crisis led prices to fall by as much as 54% in 1998 and by approximately 10% in 2001. After 2001, prices of pre-WWII shop houses started to recover despite still experiencing an oversupply[8]. Nevertheless, unsold units during this period remained empty after being vacated by previous statutory tenants.

For the existing tenants, the abolishment of the CRA resulted in an overnight rent hike in 2000, with rates increasing by 50% to 300% for most tenants[9]. The market rent was in general arbitrarily determined and property owners may have overestimated the values of their properties after adhering to the low rental ceilings for more than 30 years. While tenants were given a grace period of two years since late 1997 to adjust to the impending rate hike, many tenants, especially low-income households, were unable to manage the impact of the repeal on their own. This resulted in numerous evictions of existing tenants, some of whom had been residing and operating their businesses at the properties for generations[10]. Many others, both residents and businesses, chose to leave GTWHS in large numbers, unwilling to pay the higher rental rates.

Data collected from Geografia's George Town Land Use and Population Survey highlighted the decline of residents in the George Town inner-city area. In 2009, 10 years after the abolition of the CRA, the number of households residing in GTWHS's inner-city had dwindled to only 2,533[11].

8 Nor'Aini et al. (2007)
9 Atsumi (2003)
10 Ibid.
11 Geografia (2014)

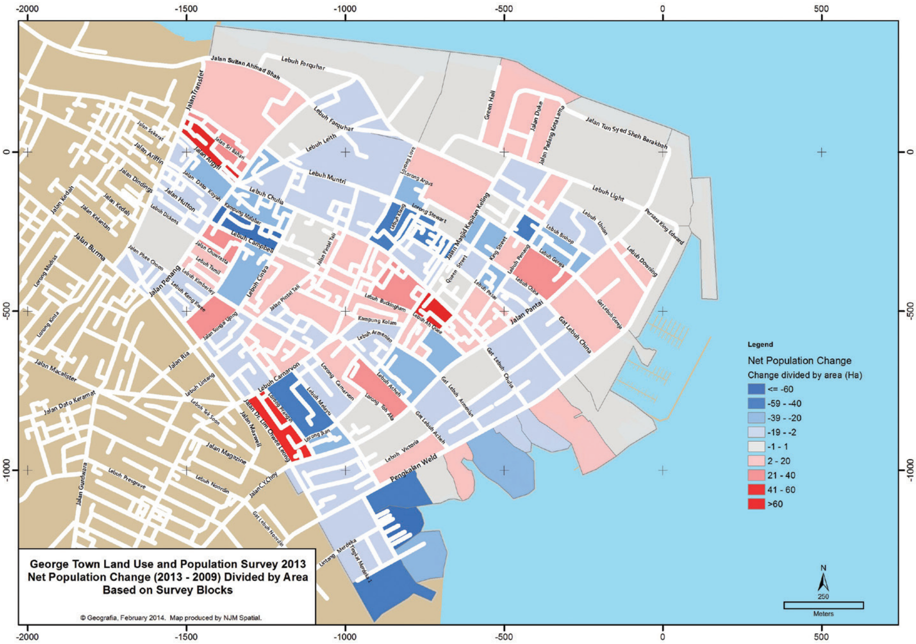
## Beyond 2008: George Town as a UNESCO World Heritage site

The repeal of the CRA in 1997 exerted pressures on housing affordability for GTWHS's inner-city residents and had resulted in a massive outward migration from GTWHS in the early 2000s. During the same period, the Penang State Government worked to prepare for its application to be inscribed into the UNESCO's World Heritage site listings. The first joint application dossier for George Town and Melaka to UNESCO was submitted in 2005 but was not successful. A new application was submitted again in 2007 and both cities were formally inscribed onto the listing in July 2008.

While its inscription as a World Heritage site has successfully boosted the image of Penang and paved the way for the state to rejuvenate its tourism industry, it also exerted additional pressures on housing affordability for GTWHS's inner-city residents, prompting another wave of outward migration. In its 2007 nomination dossier to be a World Heritage site, it was estimated that GTWHS had a total of 18,660 residents[12]. By the end of 2009, less than two years after its official inscription, this number had almost halved to only 10,159 residents. The population of GTWHS has continued to decline, albeit at a slower rate. Between 2009 and 2013, it is estimated that as many as 591 households left GTWHS[13].

12 UNESCO (2008)
13 Geografia (2014)

**Figure 2: Net population change, 2009 – 2013**




Source: Geografia (2014)

Much of this population decline can be attributed to the sudden jump in valuations for properties situated within GTWHS. As a direct consequence of its UNESCO inscription, expectation on property prices and rental income substantially increased given the potential for future development for these properties, especially for tourism. Many property owners renovated their properties to fetch higher rentals while others sold off heritage properties to capture the capital appreciation that came with the inscription. By 2011, the price paid for heritage buildings was as much as 2.3x higher for a double storey pre-war shophouse located within the core zone of the heritage site compared to similar properties located outside the heritage site[14]. Tenants, who made up approximately 60% of the residential population within the heritage site, either had to pay higher rentals or seek housing elsewhere in Penang.

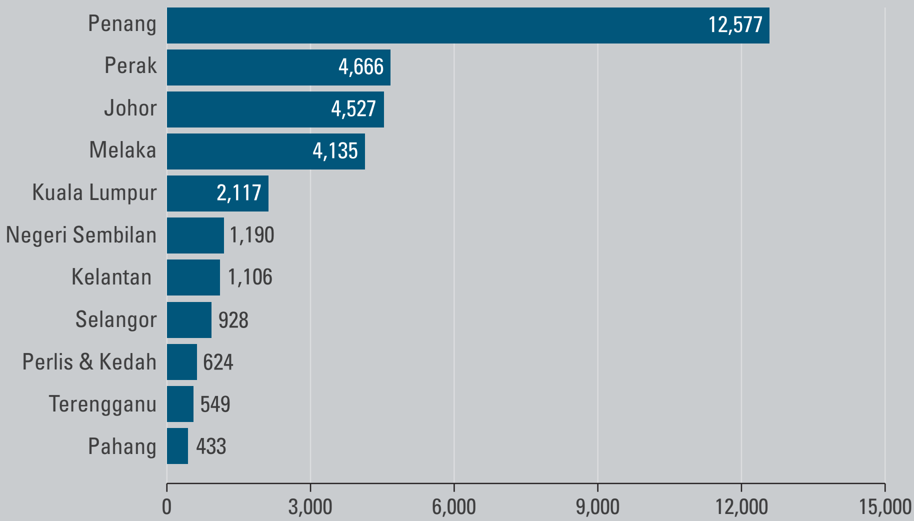
[14] NAPIC (2011)

**Box 1: The Control of Rent (Repeal) Act 1997**

After WWII, all states under the Malayan Union implemented ordinances on rent controls and tenancy to address the problem of high rentals and a widespread squatting community. These different ordinances were then replaced by the Rent Control Ordinance of 1948 which was implemented in the Malayan Union. The Ordinance was amended a year later in 1949 to include commercial premises but was later repealed in 1956, only to be replaced by the Rent Control Ordinance of 1956. In 1966, the Rent Control Ordinance of 1956 was again replaced by the CRA 1966, which stayed in effect until 1997.

The CRA 1966 regulated the rental rates of all buildings built before 31 January 1948 and protected the original tenants of these buildings from being evicted. The CRA affected approximately 32,852 buildings, 10,802 of which were owner-occupied. Penang had the highest number of rent control premises totalling 12,577 units, with more than two-thirds located in GTWHS inner-city core.

**Figure 3: Number of rent control premises in Peninsular Malaysia, by state**




Source: USM (1993)

By 1997, approximately 30 years after the CRA was enacted, the underlying objective of the act had been subject to abuse by existing tenants who sublet rent controlled premises at higher prices at the expense of their landlords. Consequently, the Federal Government of Malaysia decided to implement the Control of Rent Repeal Act 1997 on 1 September 1997 to end profiteering by tenants and to allow owners to recover possession of their premises for redevelopment.

Tenants were given a 28-month transitional period from 1 September 1997 to 31 December 1999 to adjust to a new market rent in 2000 or to find alternative housing. During the transitional period, landlords could only increase rental rates using a specified formula. Tenants who had been subletting their units to sub-tenants without living there, ie absentee tenants, lost their tenancy under the Repeal Act.

**Table 1: Formula for new rental rates during transitional period**

| Phase | Time Frame | Formula |
|---|---|---|
| Year 1 | 1 September 1997 – 31 December 1997 | R + 1/4 (M-R) |
| Year 2 | 1 January 1998 – 31 December 1998 | R + 1/2 (M-R) |
| Year 3 | 1 January 1999 – 31 December 1999 | R + 3/4 (M-R) |

Note: R is the fair rent prevailing before the repeal of the act. M is the monthly rentable value of the premise fixed at one twelfth of the annual value of the property as assessed by the local authority where the property is located.
Source: Government of Malaysia (1997)

When the Repeal Act came into effect on 1 January 2000, rental rates for formerly rent controlled premises were determined at the discretion of the building owners and varied according to condition of the property. As such, the market rents for these properties were arbitrarily determined. Entry into any new tenancy became free and existing tenants who were affected by the repeal had to move out or accept the new rental rate.

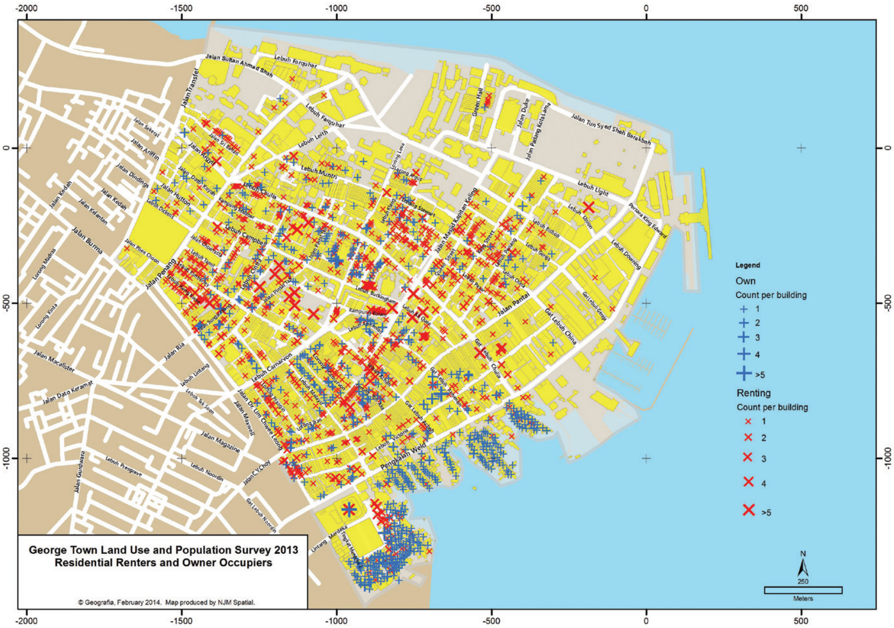
## Achieving Tenancy Security is Key to Preserving Cultural Heritage in GTWHS

In 2013, a total of 9,425 people resided in GTWHS, occupying 31.4% of the buildings within the site. Slightly over 15% of these residents were 60 years and older while 10% were children under the age of 16. Elderly couples with and without mature children made up about 22% of the total households within the site. Young families ie married couples with small children, teenage children and mixed aged children made up 6.1%, 6.5% and 10.1% of the household population respectively. Multiple family households ie married couples with children and extended families formed 11.2% of the household typology in GTWHS. Notably, non-family households ie one-person households and groups of workers made up a large part of the household typology in GTWHS, at 13.6% and 15.3% respectively, for a combined total of 28.9%[15].

Of these residents, 63.9% were renters[16]. Figure 4 shows both the locations of residential renters and owner occupiers per number in a building.

15 Geografia (2014)
16 Ibid.

**Figure 4: Residential renters and owner occupiers, 2013**




Source: Geografia (2014)

The large proportion of rental properties within the World Heritage site illustrates the striking fragility of the existing social fabric of communities living in GTWHS. Because a tenant's ability to occupy his or her residential space depends entirely on the negotiated tenancy agreement between himself/herself and the property owner, shifts in policy or market demands that directly or indirectly impact housing affordability and property values can lead to a further hollowing out and subsequent deterioration of the living heritage in GTWHS. Landlords or building owners seeking to benefit or maximize profits from these changes can simply raise rentals to attract higher value uses or new tenants who are able to pay higher rents. However, new tenants may not necessarily be part of the intangible heritage. The more new tenants replace the existing intangible heritage, the more the OUVs of the site will be eroded. The loss of the intangible heritage will increase the risk of GTWHS losing its inscription status. It is therefore vital to ensure that property owners take into consideration the invaluable social and cultural history that their respective tenants bring into the community within the heritage site and for tenancy agreements to reflect this intangible contribution.

**Table 2: Main land use activity change, 2009 – 2013**

| | 2009 | | 2013 | | Change 2009 – 13 | |
|---|---|---|---|---|---|---|
| **Land Use** | **Percentage** | **No.** | **Percentage** | **No.** | **Percentage** | **No.** |
| Associations – Clan, Not-for-Profit, Religious or political organisation | 2.7% | 200 | 2.9 | 216 | 0.2 | 16 |
| Business | 44.3 | 3,279 | 43.3 | 3,177 | -1.1 | -102 |
| Education | 0.2 | 18 | 0.4 | 26 | 0.1 | 8 |
| Government | 0.5 | 36 | 0.6 | 43 | 0.1 | 7 |
| Hotel or tourist accommodation | 0.8 | 61 | 1.3 | 97 | 0.5 | 36 |
| Residence | 34.3 | 2,533 | 31.4 | 2,302 | -2.9 | -231 |
| Vacant | 17.1 | 1,267 | 20.1 | 1,478 | 3.0 | 211 |
| **Total** | **100.0** | **7,394** | **100.0** | **7,339** | **0.0** | **-55** |

Source: Geografia (2014)

As shown in Table 2, comparisons of land use between 2009 and 2013 highlight several notable changes in GTWHS. The most significant are an increase in the number of hotels/tourism accommodation (+36 no.) and associations (+16 no.) and a decline in the number of residences (-231 no.). In addition to the increase in hotels, there has been an increase in the number of restaurants/bars (+46 no.), department/general stores (+37 no.—mostly convenience stores), food produce and beverage outlets (+29 no.), travel and tourism services (+21 no.) and fashion, clothing and textile businesses (+19 no.)[17].

[17] Geografia (2014)

## International Examples of the Impact of World Heritage Status

Penang's GTWHS does not stand alone in trying to manage the balancing act between retaining its social and cultural heritage while optimizing economic gains from tourism.

Many other World Heritage sites face similar pressures from gentrification. Laos' Luang Prabang mirrors GTWHS in that it is not just an architectural monument like the temples at Angkor but is a site that exhibits both historical built and social heritage. Luang Prabang was inscribed as a World Heritage site in 1995. However, in mid-2008, UNESCO and its partner, the International Council on Monuments and Sites (ICOMOS), highlighted that inappropriate physical development coupled with the progressive decline in local community population could lead to the inclusion of Luang Prabang on UNESCO's List of World Heritage in Danger if steps are not taken to reverse these trends. This observation was the result of a reactive monitoring mission to the site by both organisations in November 2007[18].

**Box 2: Urban regeneration: A good example**

Vigan City, Philippines is also a UNESCO World Heritage site, receiving the title in 1999. However, it tells a completely different story to that of Luang Prabang. In 1995, a newly-elected Mayor set out a long-term plan called the Vigan Heritage Conservation Programme to achieve sustainable growth while maintaining its identity. The plan consisted of four main priorities[19]:

1. to strengthen the sense of identity and pride of the citizens in their historic city;
2. to embed the approach into long-term policy and management of the city;
3. to forge local and international linkages; and
4. to develop Vigan as a tourism destination that enriches and conserves the people's core values and traditions, as well as sustaining their livelihoods.

The programme would go on to become a success story, UNESCO itself using it as a case study for successful conservation programmes.

[18] Boccardi and Logan (2008)
[19] UNESCO (n.d.b.)

The Mayor began her plan by raising municipal tax revenues, not by increasing tax rates, but by making tax collection more efficient and disciplined. This caused Vigan's tax revenues to double within a year. She then took a loan from a local bank to rebuild a market that was burned down in a tragic fire some decades ago. This market used to serve as a hub of economic activity and rebuilding it allowed locals to participate more in the local economy. Its reconstruction raised significant amounts of money for the town, totalling 1.2 million pesos a month[20]. These two actions set in motion long-term stable growth for the town—which would later be approved by the Filipino Senate to become a city—for decades to come.

What truly sets Luang Prabang apart from Vigan City is that they diverge in how growth affects the local population and its activities. Luang Prabang is first and foremost a Buddhist place of worship. However, hotels or restaurants that operate near the temple are designed to cater for a burgeoning tourist industry and are less favourable towards the traditional religious activates central to the history and culture of the city. The more Luang Prabang grows as a tourist hotspot, the more it loses its identity.

This is in stark contrast to Vigan City, where locals have many different occupations such as artists, craftmakers, potters, butchers, chefs and farmers. These occupations all have products that they can produce and sell to tourists. An influx of tourists would mean that the locals of Vigan City enjoy more profits while getting to continue their normal way of life.

Discretionary government intervention has also been well executed, whereby access to credit for productive activity is made easier for locals; institutions that cultivate craft skills are opened by the government; and equipment and other forms of capital are provided to local businesses and industries. In short, because the Vigan economy is built on activities that are already a part of Viganian life, the more tourists that come to Vigan City, the more it entrenches its identity and heritage.

[20] Valdez (n.d.)

The imminent social displacement of communities resulting from new developments in their historic quarters have led a number of historic cities to take action to mitigate the impact.

Some cities, like Cuba's La Habana Vieja or Old Havana, use a public led initiative to achieve this goal. Old Havana was declared a World Heritage site in 1982 and has since then worked to conserve and restore both its built heritage and inherent social fabric. Old Havana's Office of the Historian of the City of Havana (OCH) manages both the conservation efforts for its historic buildings and its housing renovation programme for city residents. An economic recession in the 1990s and subsequent funding limitations led the state government to grant OCH the authority to operate its own businesses and levy taxes on other businesses that operate within the heritage site to fund its activities. This new legislation also gave OCH the responsibility to develop tourism and provide services to the community within the heritage site. As an autonomous public entity, this new role allowed OCH to independently use tourism as a funding mechanism (via the collection of taxes and revenues from its own businesses) to improve the social and housing conditions for its residents. As of 2009, about 35% of its profits were used for housing renovations, community facilities and social programmes[21].

[21] Achtenberg (2013)

# CHAPTER

# 02

CHAPTER 2

# STRATEGIC FINANCING: INVESTING IN COMMUNITY PLATFORMS

## Building on ACHR and CODI's Financing Model

Considering its overarching objective of preserving the tangible and more importantly, the intangible heritage of GTWHS, TC learned from its own as well as the experience of other programmes in Asia that have addressed issues related to house upgrading and tenancy security. Two programmes have dealt extensively with both subject matters, albeit not for conservation purposes.

These programmes are:

1. the Asian Coalition for Community Action (ACCA) programme by Bangkok based ACHR; and
2. the Baan Mankong (Secure Housing) Collective Housing Programme by Thailand's CODI.

CODI's Baan Mankong and ACHR's ACCA programmes use financial support to start and develop community networks and collaborative platforms for the urban poor. These allow them to come together to address and solve their development problems. These programmes fundamentally shift the responsibility of solving multi-dimensional issues related to slums or low-cost housing and its integration with the wider development of the city to the people residing in the affected areas ie the urban poor and vulnerable communities. These communities are usually excluded in the conventional development process.

Both funding models engage and empower poor and vulnerable communities to actively participate, design and lead community based initiatives that aim to improve their living conditions. These programmes do not relegate poor communities merely as passive beneficiaries of externally driven initiatives or financial aid, which may ultimately fail to address the fundamental problems that these communities face on a daily basis. The successes of these programmes illustrate the results that can be achieved when the urban poor are given the opportunity to manage and take responsibility of their own development.

This chapter provides a brief description of these programmes and discusses why replicating their key funding principles mattered for the Pilot Project in GTWHS.

## A Brief Introduction to ACCA and Baan Mankong

### ACCA programme[22]

In 2009, ACHR launched its ACCA programme to expand and scale up the community driven development process throughout Asia that ACHR had been supporting for years. The programme is funded using grants from the Bill & Melinda Gates Foundation provided through the International Institute for Environment and Development (IIED). ACHR acts as the main coordinator of the ACCA programme and is supported by a regional coalition of experienced Asian professionals, non-governmental organisations (NGOs) and community organisations. The ACCA programme, which was initially designed as a three-year programme, aims to provide funding for community-led processes in cities across Asia that addresses issues of land tenure security, infrastructure access, housing improvement and social and economic development of poor and vulnerable communities. By the end of the first phase in January 2012, the programme had supported community-led upgrading activities in 815 settlements in 153 cities in 19 Asian countries. The second phase of the ACCA programme began in January 2013 and continued to expand their activities further.

ACCA projects are usually implemented by members of the ACHR that are already involved in solving issues of urban poverty and housing. Most would have already established a collaborative relationship with local government agencies and are deeply engaged in supporting poor communities in their locality. The ACCA methodology emphasizes the cultivation of a positive working relationship between communities of the urban poor and their respective local governments. This is achieved by facilitating an environment conducive to collaborative partnerships, by finding and pursuing concrete solutions that optimize the needs of the parties involved.

Under the ACCA programme, each city is allocated up to USD58,000 to be used for its citywide upgrading process. This comprises of a USD40,000 allocation for one big housing project, USD15,000 for small upgrading projects and USD3,000 for city process support. Additionally, USD10,000 per year is allocated for national coordination which includes meetings, exchange visits and advocacy. This low

[22] Adapted from ACHR (2014)

budget ceiling is intentional; it helps make the funding structure simple and clear to everyone involved and allows the funding process to be straightforward and extremely flexible. It also helps communities to see beyond simple financial gain and really work together to identify and prioritize needs that should be addressed. In this way, money merely becomes the catalyst that melds communities together to work towards a common goal.

To access these funds, poor communities (represented by their local groups/organisations) develop plans for their own upgrading projects and submit a proposal to the regional ACCA committee. These plans incorporate actionable demand driven initiatives that are identified from citywide surveys and community engagement processes. Upon approval, the funds will be given directly to these communities in two or three disbursements, as agreed upon by the community groups.

Unlike CODI's Baan Mankong, the ACCA programme does not require applicants to have an established savings group upon entry into the programme. However, one of the main objectives of the ACCA programme is to help poor communities develop functional financial systems that can be managed collectively and effectively by them. This is usually done by introducing or developing a community savings group (CSG) for the communities involved. ACCA provides the necessary technical support and knowledge resources to communities to set up a new, or to improve an existing, savings group. The savings group allows communities to continue advancing the development process even after the initial financial and technical support from ACCA is over. With support from the ACCA, community savings and credit is being practiced in 206 of the 215 ACCA cities.

## Baan Mankong Collective Housing Programme[23]

CODI was formed in October 2000 as a way to expand the work and scope of Thailand's Urban Community Development Office (UCDO). Its merger with Thailand's own Rural Development Fund granted the new autonomous legal entity fewer limitations and allowed CODI to work more extensively on development issues that may have excluded a conventional government institution. Its most prominent programme, the Baan Mankong Collective Housing Programme, was launched in January 2003 by the Thai government to address the housing security of its poorest urban communities. 'Baan Mankong', which means 'secure housing' in Thai, provides a platform for poor communities to access government funding to independently upgrade and improve their housing situation and living environment as well as achieve tenancy security. These funds are dispensed as infrastructure subsidies and soft loans for housing and land, which are delivered directly to poor families and communities.

[23] Adapted from CODI (n.d.)

**Photo 1 and 2: Community members plan with advisors for building upgrades**

Photo: ACHR

Upon admission, the programme starts by first identifying and engaging the key stakeholders for each upgrading project eg the targeted communities and the respective municipal staff or representative. A joint committee of community leaders, municipal staff, local academics and NGOs is established to oversee the implementation component of the project. Then, a survey is organized to collect information about the households and the problems that they are facing, which may include issues with tenancy security, land ownership and failing infrastructures. Information from this citywide survey is utilized to develop a plan for the whole city. A pilot project is then selected and will undergo the upgrading process using funding from CODI. This pilot will act as a learning centre for other communities and actors in the programme. The upgrading process will then be extended to all other communities and subsequently, these initiatives will be integrated into citywide development.

**Photo 3: Housing improvements based on communities' input**

Photo: ACHR

Baan Mankong has four funding methods for implementing projects: infrastructure subsidies, land or housing loan, administrative subsidy and process support subsidy. The subsidies act as a direct grant for community level repairs and upgrades or community level reconstruction, in the case of relocation. More relevant to Hock Teik's Initiative, CODI's land or housing loans are soft loans that are available to families for the purpose of purchasing new land or improving their houses. These are capped at THB300,000 per family for the land and housing loan and THB200,000 per family for the housing loan. Interest rates for these loans are subsidized at 2% annual interest and loans are made collectively to the community cooperative, not the individual families. Upon application, community cooperatives must have saved at least 10% of the total loan amount and must commit to maintain this level of savings during the repayment period to be eligible for the collective loan. Once the fund is received, cooperative members then decide on the disbursement and repayment rate for the individual loans in their communities.

Baan Mankong emphasizes accessible and flexible financing for the poor but it also requires communities to act as a collective unit for the upgrading process and to establish a savings group prior to admission into the programme. Communities are expected to collaborate and organize themselves as a functional unit so they are able to realize their collective bargaining power during the development and upgrading process. This is vital, as a collaborative network and support system grants poor and vulnerable communities the resources and confidence that they need to take the required development forward. Additionally, a savings group acts as a crucial unification force during the upgrading project. The collective resources and management capacities that have been developed through the creation of a savings group will allow communities to optimize the use of additional external financing to drive the necessary change for their own communities.

**Figure 5: How the Baan Mankong programme works**

1

## Community engagement

- Identify relevant stakeholders and explain the programme
- Organize network meetings
- Organize meetings in each urban poor community, involving municipal staff if possible

2

## Building networks

- Establish a joint committee to oversee implementation
- Establish or support an existing community collective savings group

3

## Evidence-based development

- Conduct citywide surveys to collect information on households, housing security, land ownership, infrastructure problems, etc.
- Develop a plan for the whole city

4

## Implementation of pilot project

- Select a pilot project and prepare a development plan
- Start construction and upgrading works for the pilot project

5

## Citywide integration

- Extend improvement processes to all other communities
- Integrate initiatives into citywide development

Source: Adapted from CODI (2012)

## Key features of ACHR and CODI's Financing Model

### Using community coalitions to address housing gaps among the urban poor

The key belief held by both ACHR and CODI is that the best way to solve issues related to low-income housing is to provide sufficient support to the people who are experiencing the problems themselves and to let them lead the development process. However, poor communities are only effective change enablers when they act as a collective unit. As individuals, low-income households are exposed to many sources of vulnerability and most are excluded or unable to access marketed products, such as insurance, that can provide relief in times of need. Within unified communities, households can share resources, offer assistance and provide relief to each other in order to address these vulnerabilities.

Both the ACCA and Baan Mankong programmes emphasize the power of collaboration in their upgrading initiatives. In both programmes, the first and most crucial intervention is helping communities band together to solve the most crucial problems that they are facing on a day to day basis. This is done by providing communities with a supportive space and the necessary tools to work together to design solutions for communal issues, both to build community capacity and to increase the visibility of their collective potential.

### CSG builds social capital

One of the ways both programmes generate social cohesion is through the creation of, or support for, CSGs. A savings group can increase access to financial capital for communities that are typically excluded from the formal banking system. Involvement in a CSG also increases financial literacy among members and forces communities to develop collective money management skills, both of which will be essential for the physical upgrading process.

More importantly however, CSGs create a robust platform for the accumulation of social capital among its members. Involvement in a CSG cultivates mutual trust as members become accountable to each other when they manage and disburse their savings collectively. Pooled resources within the group allow for greater social protection amongst members and encourage them to help each other during times of need or emergencies. Ultimately, greater social cohesion achieved by being part of a group can empower communities to undertake steps to improve their conditions which may have been out of reach for them as individuals.

## Small but flexible financing can act as a catalyst for change

Communities apply for the Baan Mankong or ACCA programmes to receive funding for their upgrading projects. While project financing and subsequently, the physical upgrading process remain at the core of the work done by CODI and ACHR, the monetary element of these initiatives merely acts as a springboard for communities to improve their overall living and social conditions. Both programmes use funding as a catalyst to build community networks and motivate communities to find a way to work together.

The funding ceiling is modest but flexible for both programmes. This is intentional. A smaller budget forces communities to prioritize needs and design unique development solutions that optimize the use of the allocated funds to maximize the benefits of the upgrading process for everyone in the community. It moves communities away from just utilizing money for individual housing upgrades to really focusing on the process of identifying the necessary improvements for greater communal benefit. This could be achieved by utilizing more of the funding allocation on houses that need them the most to using the funds to achieve land or tenancy security for the entire community.

Funding for these projects then becomes more than just a means by which physical upgrades can happen. It cultivates the value of collaboration amongst community members and allows them to realize their collective potential.

## Wider integration of vulnerable communities into the city-making process

For the relevant policy makers, ACCA and Baan Mankong's small scale upgrading projects serve as an illustration of the bigger commitment that these communities have undertaken to move towards positive change. In turn, municipal staff are more inclined to get involved and contribute to the development process either by funding other upgrading initiatives or by aiding communities with legislative processes related to their afflictions. The ACCA and Baan Mankong programmes create a foundation for this collaborative relationship by emphasizing on the need to establish networks of cooperation between communities and their local officials. While the targeted communities act as the primary agents of change, city governments are encouraged to observe and get involved in the process.

Fundamentally, both programmes intend not only to address the problem of one community but to catalyse a shift in thinking about housing interventions for the poor. Solutions to issues related to low-income urban housing should no longer be a sporadic welfare affair but rather should form an integral part in the larger city-making process. Citywide integration of the urban poor community is possible when the poor themselves recognize their roles as city dwellers and demonstrate how their community form and contribute to the identity and social fabric of the city.

**Box 3: What is a CSG and why is it important?**

A CSG entails bringing together a group of people who pool their money or funds to save together and lend their savings to each other based on a mutually agreed interest rate. After an agreed period of time, all savings and earnings may be distributed back to the group members, in proportion to their initial savings. These groups are simple, transparent and autonomous. Akin to a small local credit union, CSGs provide a viable alternative for a secured savings platform or to access credit among the rural or urban poor community.

The first model of a savings group originated in Niger in the early 1990s; a group of impoverished women living in the remote rural areas of the Prefecture of Maradi met weekly and contributed the same amount of money into a group fund. One month loans were given out to members upon approval and at the end of one cycle (6-12 months), the pooled savings and earnings were distributed equally to all members[24]. The simplicity of replication and overall independence of a savings group led many development groups/agencies to advocate its use in setting up informal financial systems in more remote communities. As of 2013, more than 7 million people participate in savings group programmes worldwide[25].

**Table 3: Total number of members in savings group programmes, by agency, as of July 2010**

| Continent | Aga Khan | CARE | CRS | Oxfam | PACT | Plan | Totals |
|---|---|---|---|---|---|---|---|
| Africa | 0 | 1,197,787 | 271,630 | 300,269 | 57,200 | 222,562 | 2,049,448 |
| Asia | 24,343 | 17,078 | 0 | 66,162 | 131,600 | 0 | 239,183 |
| Latin America | 0 | 2,656 | 0 | 5,339 | 0 | 0 | 7,995 |
| **Totals** | | | | | | | |
| No. of members | 24,343 | 1,217,521 | 271,630 | 371,770 | 188,880 | 222,562 | 2,296,626 |
| No. of countries | 3 | 26 | 26 | 5 | 10 | 18 | 41 |
| Average per country | 8,114 | 46,828 | 10,447 | 74,354 | 188,880 | 12,365 | 56,015 |

Source: Allen and Panetta (2010)

24 Allen and Panetta (2010)
25 Gash and Odell (2013)

While many variations of CSGs have emerged since the original model was introduced, the initial underlying objective for the formation of these groups has remained relevant for CSGs across the globe. These savings groups address the gaps in the provision of basic financial services and/or credit facilities left by the absence of or the lack of access to a formal banking system or even a microfinance institution. Often, the basic financial services needed by these communities are not met by the banking system or microfinance institutions because they live in places that are expensive to reach ie remote areas and/or their debt capacity are heavily constrained ie earnings are seasonal and the lack of collateral for formal loans. Several studies on the impact of CSGs have found that the use of credit and the level of savings have generally increased in villages where CSGs are made available[26].

More importantly, however, CSGs facilitates the accrual of social capital among group members. Members become more in tune with each other's needs and are accountable to each other. It creates trust and loyalty among members, encourages mutual aid and promotes solidarity for common causes or needs. A CSG creates and improves social cohesion within communities and as the pooled savings increase, members are often driven to collectively pursue initiatives that will address community needs.

Nevertheless, CSGs are not immune from challenges and limitations. Lessons learned from existing CSG programs have allowed practitioners to further refine and improve the CSG model. Perhaps one of the most critical success factors for CSGs is the role of peer pressure within the group which induces accountability for the savings process[27]. Members are held accountable by each other to ensure the informal setup and rules of the CSG are abided to. However, peers can also induce negative behaviours—for example, missing payments—if that behaviour becomes socially acceptable within the group. In this way, the success of the CSG depends heavily on the internal group dynamics, which can be prone to corruption and misuse. While groups can attempt to exclude members who are deemed unreliable, the flexibility and informal setup of CSGs makes it possible for individual members to break the rules and defect once they receive their pay out[28].

26 Ibid.
27 Brindisi and Siwicki (2014)
28 Ibid.

In this way, it is inherent that CSG initiatives start with skills training and capacity building to ensure the targeted communities have the necessary tools to self-manage and regulate the CSG framework. While these capacity building efforts can manifest itself in many forms—for example, through formal training, the use of programme manuals or making resource persons available to new CSGs—the merits of having some form of support and guidance in operationalizing a CSG can go far beyond just increasing financial access to participants. In a study on the impact of CSGs in Mali, villages where training and support were provided to CSG village agents had less food insecurity, scored higher on the Progress Out of Poverty Index, had a higher participation of women in CSGs, and had better housing compared to villages where CSGs are left to grow or replicate organically upon introduction to the savings programme methodology[29].

[29] Gash and Odell (2013)

# CHAPTER

# 03

CHAPTER 3

# THE PILOT PROJECT: THE HOCK TEIK INITIATIVE

## ACHR, CODI and the Hock Teik Initiative

For TC, the financing model of the ACCA and Baan Mankong programmes provided a base framework for a mutually beneficial solution between the tenants and their landlord. It was also an opportunity for TC to introduce new approaches for urban renewal projects within GTWHS, by working with both site owners and the tenants who resided there.

The Hock Teik Initiative was meant to serve as an example of how community empowerment and collaborative development processes can lead to better outcomes for the parties involved, be it at the community or city level. Successful replication of values embedded in the ACCA and Baan Mankong programmes was essential not only for the tenants of the Hock Teik Cheng Sin Temple but also for the other communities in the GTWHS inner-city area that are facing pressures from gentrification.

Ultimately, the ACCA and Baan Mankong models provided an alternative approach for TC to ensure marginalized communities that make up GTWHS's social fabric are able to independently negotiate for their right to stay where they have resided for many generations. The preservation of this social and cultural heritage is vital for GTWHS to retain its World Heritage site inscription from UNESCO.

## Defining GTWHS's Social and Cultural Heritage

**Box 4: Melaka and George Town, historic cities of the Straits of Malacca[30]**

Melaka and George Town, Malaysia, are remarkable examples of historic colonial towns on the Straits of Malacca that demonstrate a succession of historical and cultural influences arising from their former function as trading ports linking East and West. These are the most complete surviving historic city centres on the Straits of Malacca with a multi-cultural living heritage originating from the trade routes from Great Britain and Europe through the Middle East, the Indian subcontinent and the Malay Archipelago to China. Both towns bear testimony to a living multi-cultural heritage and tradition of Asia, where the many religions and cultures met and coexisted. They reflect the coming together of cultural elements from the Malay Archipelago, India and China with those of Europe, to create a unique architecture, culture and townscape.

Criterion (i): Melaka and George Town represent exceptional examples of multi-cultural trading towns in East and Southeast Asia, forged from the mercantile and exchanges of Malay, Chinese and Indian cultures and three successive European colonial powers for almost 500 years, each with its imprints on the architecture and urban form, technology and monumental art. Both towns show different stages of development and the successive changes over a long span of time and are thus complementary.

Criterion (ii): Melaka and George Town are living testimony to the multi-cultural heritage and tradition of Asia and European colonial influences. This multi-cultural tangible and intangible heritage is expressed in the great variety of religious buildings of different faiths, ethnic quarters, the many languages, worship and religious festivals, dances, costumes, art and music, food and daily life.

Criterion (iii): Melaka and George Town reflect a mixture of influences which have created a unique architecture, culture, townscape without parallel anywhere in East and South Asia. In particular, they demonstrate an exceptional range of shop houses and townhouses. These buildings show many different types and stages of development of the building type, some originating in the Dutch or Portuguese periods.

30 Direct excerpt from UNESCO (n.d.a)

The above OUVs have been the underlying principles in the urban redevelopment and conservation trajectory of GTWHS. Development Guide Plans as specified in the Special Area Plan[31] document ensures amongst others: new development in the city respects the heritage significance of the existing physical built form (built heritage) and the preservation of the 'living heritage' (both tangible and intangible heritage) is maintained.

Unlike other World Heritage sites, GTWHS is a large area with more than 5,000 buildings of which 3,643 have been identified as having significant cultural and historical value[32]. The mere existence of large numbers of buildings to preserve renders GTWHS an expensive area for conservation planning and restoration. Moreover, the heritage site is situated in the second largest city in Malaysia. Therefore, GTWHS faces constant redevelopment pressures—there are high demands to demolish buildings and to rebuild with higher plot ratios to extract the most economic value.

TC's grants programme has the objective of urban regeneration whilst maintaining the heritage significance of the city. There are many initiatives in TC which include, amongst others, granting funding to improve public spaces and documenting historical buildings. At the same time, TC had to respond to the site-specific challenges documented by both the Geografia studies (2010 and 2014) and Special Area Plan, two of which can critically undermine the core values (OUVs) of the World Heritage site:

[31] JPBD Pulau Pinang (2013)
[32] Ibid, Lim (2012)

- **Displacement and loss of residential population:**

  Prior to its inscription in mid-2008, GTWHS had a total of 18,660 residents[33]. By the end of 2009, this number had almost halved to only 10,159 residents. The population of GTWHS had continued to decline, albeit at a slower rate. Between 2009 and 2013, it is estimated that as many as 591 households left GTWHS[34].

- **The challenges of gentrification in the World Heritage site and declining housing affordability due to rental and property price increases:**

  Unfettered gentrification creates displacement of the original communities and their multicultural lifestyles. The sale of buildings from one owner to another has contributed to rents becoming more expensive for the existing renting population.

33 UNESCO (2008)
34 Geografia (2014)

## The Pilot Project

### Inception—Phase 1: The application for a physical restoration grant from the owners

An opportunity to affect change in providing affordable housing came in September 2010, when the trustees of Hock Teik Cheng Sin Temple submitted their application for a physical restoration grant to TC's grants programme. The application was for the physical restoration of the 10 shop houses at Armenian Street that were a part of the Hock Teik Cheng Sin Temple building complex. At the time of the application, 8 of the 10 shop houses were tenanted.

Hock Teik Cheng Sin's Board of Trustees holds the property for the use of the four brotherhood societies. Each society appoints four representatives to sit on the Board of Trustees.

The temple building and shop houses on Armenian Street were built between 1850 and 1867. As with most typical shop houses, the upper floor is used for residential purposes and the ground floor for commercial purposes. The back portion of the commercial ground floor normally serves as kitchen spaces for the families.

Six families have lived there for a span of three generations, whilst two households have just moved in within the past six to seven years. The barber shop and the bicycle shop were opened in 1960 and 1950 respectively.

**Box 5: Background of Hock Teik Cheng Sin Temple[35]**

**The origin of Hock Teik Cheng Sin Temple**

Hock Teik Cheng Sin Temple is a community temple clustered around the worship of a Chinese folk deity known as Toa Peh Kong or Pun Tow Kong, the God of Prosperity and patron deity of merchants. The street section where the temple is located is dubbed *'Pun Tow Kong Hang'* (Pun Tow Kong Lane).

Historically, the temple's origins can be traced back to early 19$^{th}$ century, while *Khoo Teeau Pang* was the founding head of *Kean Teik Tong* (建德堂), formed in 1844.

The land of 14,865 sq ft was granted to *Khoo Teeau Pang* in 1850 by the British administration. The temple building and nine shop houses were built between 1850 and 1867.

In 1890, the Chinese secret societies were outlawed by the British colonial authority through enforcement of the Societies Ordinance. The decree was enacted following the public riots between 1845 and 1885, which occurred due to intense rivalries and disputes among the secret societies. Subsequently, Kean Teik Tong had to be disbanded and its assets resold to a group of community leaders (which were in fact the same clansmen of Kean Teik Tong). They then formed a new organisation called the Chinese Traders' Society, which is now called Hock Teik Cheng Sin.

Hock Teik Cheng Sin officially registered with the Chinese Protectorate of Penang in 1892. From 1908 to 1949, four other brotherhood societies moved into the premises of the Hock Teik Cheng Sin Temple. They are the Tong Kheng Seah, Cheng Hoe Seah, Hokkien Kongsi and Poh Hock Seah.

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35 GTWHI (2014), Hock Teik Cheng Sin Temple (n.d.), National Library Board Singapore (2014), Penang State Tourism Development, Culture, Arts & Heritage (2011)

**Figure 6: Details of tenants at their respective homes**


| | 57 | 39 | 41 | 43 | 45 |
|---|---|---|---|---|---|
| **No. of tenants** | n.a. | 6 | 2 | 7 | 4 |
| **Tenancy / history** | Temple meeting room & storeroom / n.a. | Barber shop and residential / 3 generations | Residential / approx. 20 years | Residential / 3 generations | Residential / 3 generations |
| | **47** | **49** | **51** | **53** | **55** |
| **No. of tenants** | 3 | 5 | n.a. | 2 | 7 |
| **Tenancy / history** | Antique shop / 7 years | Residential / approx. 45 years | Vacant (used as public toilet) | Residential / 6 year | Bicycle shop & residential / 3 generations |

Source: Ooi and Sia (2012), Adapted from Ng (2011), KRI calculations

## Inception—Phase 2: Identifying needs for both owners and tenants

TC's assessment of the grant application with the assistance of ACHR had the preliminary findings listed below:

- There is an urgent need to execute major repairs to the roof structure of the 10 shop houses but the owners suffer from insufficient funds. Their sources of funds come from a) the rents from the shop houses and b) the general public's donations to the temple. The rent tenure has been changed to a monthly basis due to the impending proposed repair works. Tenants are not allowed to occupy the building during the construction period. The owners would want to recoup the costs of repairs by increasing the rents.
- The tenants' anxieties were concentrated on tenancy security. They have less concerns about the poor building conditions. The move by the owners to convert the tenancy agreements from yearly to a monthly basis further exacerbated the tenants' apprehension.

**Photo 4: Site visit to a tenant's home**

Photo: TC

Due to the uncertainty of tenure, the tenants suffered considerable anxiety and distress due to the constant threats of being evicted from their homes on a monthly basis. On the other hand, the owners complained of the tenants' duplicity for conducting repair works without informing them. In addition, the owners considered the current rents as too low and therefore inadequate for the purposes of maintaining the physical condition of the shop houses.

**Box 6: The provision of social housing**

The case to intervene in the form of social housing rests on two propositions[36]:

a) that market forces will not ensure all the population live in housing of acceptable standards; and
b) that the best way to improve the housing standards of those living in sub-standard accommodation is through the direct provision of housing rather than providing access to additional financial resources to the poorly housed.

However, these propositions are contestable and therefore need to be tested against the prevailing circumstances of any given locality. The underlying concepts are acceptable housing standards and housing needs.

When households cannot afford housing of an acceptable standard, there is a gap between what they can demand in the marketplace and what they need based on prescriptions of acceptable standards. Markets work on demand and supply. Some level of policy intervention is needed to address the gap between need and demand if need is deemed to be different from what households are able to demand from the market.

The provision of social housing comes from both non-profit organisations (municipalities and government) and also profit-making organisations in the private sector. In both sectors, the allocation of the housing units and rent determination are critical processes. Some form of subsidies and/or rent control will emerge. (Refer to *Appendix 1: Rent Control in New York City* and *Appendix 2: Rent Control in Kumasi, Ghana* for a more in-depth discussion on current innovative practices of rent control with its inherent benefits and challenges).

[36] UNHabitat (2009)

It is important to recognise that the inherent challenges of rent control should not be an impediment to the main objective of the provision of social housing. This is because the provision of social housing serves wider objectives such as alleviating the adverse effects of social displacements, promoting mixed tenure communities, ensuring social mix in urban areas as well as contributing to social, economic and environmental objectives.

## Who Determines the Rent?

### Phase 1: TC's grant

The matching grant from TC to the owners for the a) repairs of the roof structure and b) façade retention of all 10 shop houses was approved in November 2010. A matching grant means that TC will give a grant amounting to half of the building repairs' costs to the owners. The owners will match or supply the other half of the costs from their own coffers. The owners however were requested to participate in a tenant-owner workshop organized by TC-ACHR before they started on the repair works.

The TC-ACHR team attended several meetings with tenants and owners to identify each party's needs regarding the tenancy agreement. During that period, TC-ACHR formulated a mechanism for rent determination for both parties. The other objective, considered more important, was to build tenants' confidence in devising feasible tenancy proposals for owners to consider.

**Photo 5: Tenants listening intently to the TC-ACHR community facilitator**

Photo: TC

## Phase 2: Tenant-owner workshop

The first tenant-owner workshop was conducted in April 2011. This was the critical point of the rent determination process since participants were introduced to the collaborative funding strategy. There were several discussions on the roles and responsibilities of both trustees and tenants in the historical/traditional sense (where clan leaders were custodians for newcomers to GTWHS) and how those notions of pastoral responsibilities have been eroded since the colonial period.

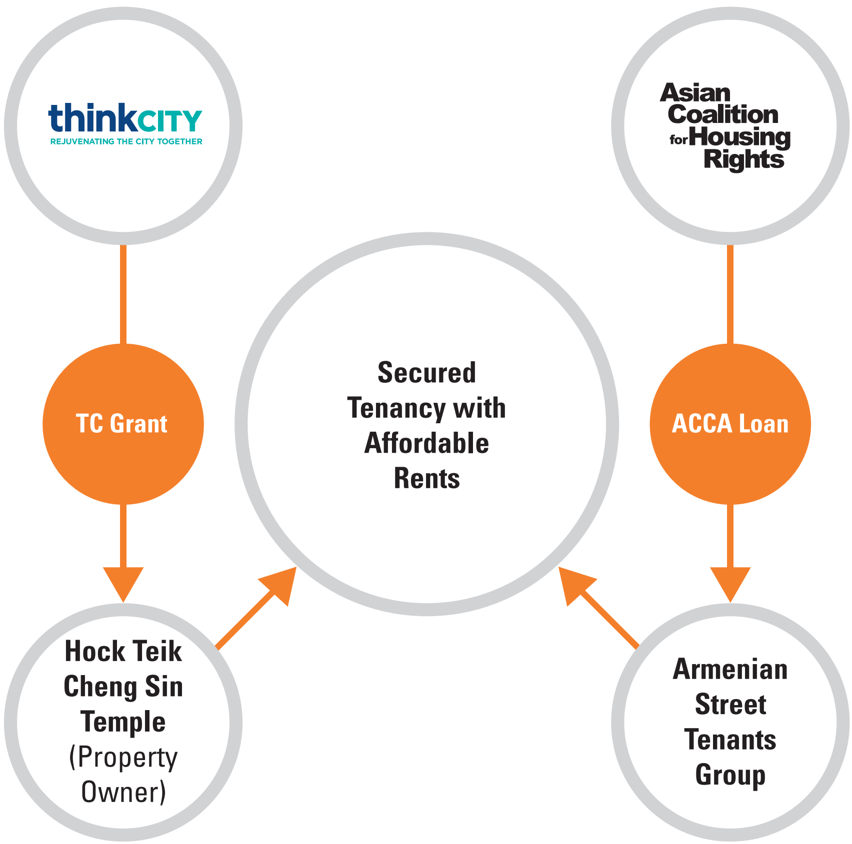
**Photo 6 and 7: Owners/trustees passionately describing their challenges**

Photo: TC

ACHR introduced the concept of having an ACCA loan (see Figure 7) for tenants. They explained that ACCA funding, as part of the CDF, has been used in cities across Asia to provide funding for community-led processes to address issues of land tenure security, infrastructure access, housing improvement, and social and economic development of poor and vulnerable communities.

ACHR suggested that the tenants utilize the funds to cover the costs of internal repairs of the shop houses. This act will demonstrate to the owners that tenants are active partners for the betterment of their physical living conditions. The tenants have now invested their own funds into this redevelopment project. Therefore, it is justifiable that they can have a say in the direction of the said redevelopment.

**Figure 7: A CDF framework using both TC's grant and ACCA's loan**



## Phase 3: Post workshop—Forming the Armenian Tenants Group to secure ACCA funding

After the workshop, several meetings were conducted to further explain the ACCA funding. The frequent meetings were necessary because of the following:

- The tenants had doubts about ACHR as a legitimate organisation, since the organisation did not need any collateral for the loan
- The tenants did not understand the concept of a collective fund
- The tenants disliked the idea of taking a loan to invest in properties that did not belong to them

However, the tenants finally agreed due to the shared need of having to negotiate with the owners as a group. The next step was to determine the extent of repairs each shop house would require and calculate the total funds the tenants would want to invest in their rented properties. Each household calculated the estimated costs of building repairs for their own individual unit. The total costs of repairs were exorbitantly high. The TC-ACHR team scrutinised the estimations and found unnecessary refurbishment items under the costing. Moreover, it was highly unlikely that the tenants could afford to pay back such a hefty sum.

The team moved to a different strategy to promote a more consistent and coherent assessment of the actual need for repairs. They facilitated several inter-house site visits amongst the tenants. All tenants visited each other's house in a group and determined collectively what should be included in the list of repair works.

Initially, some tenants felt that their homes were in faulty conditions, but the inter-house visits made them realise that others endured worse conditions. For example, one of the houses had patched-up cardboard coverings on the floor which was extremely dangerous to its residents. The visits created the awareness to tenants that a building dilapidation assessment must be executed to ensure that the repairs are done on a professional and needs basis, and not on merely the wants of each household.

**Photo 8: Inter-site visit**

Photo: TC

After the site visit, the tenants detailed the physical damages with the help of the facilitators in a technical building dilapidation and defects report (see Box 7). They revised the costing and prioritised repairs according to the severity of the damages incurred by each shop house. Along with the team's assistance, the tenants discussed, prepared and submitted the application for ACHR's funding together as one community.

**Box 7: A building dilapidation and defects report**

Building defects surveys and dilapidation reports are completed by experienced consultants in documenting the condition of a property or building. A building defects survey examines the defects of accessible elements of the property as well as investigating any structural problems. A dilapidation report is a report on the condition but not the defects of the building. Dilapidation reports are undertaken prior to the commencement of excavations, building works or boring on an adjoining property.

Both surveys are important exercises because they inform the owners of the extent of the building's fitness of purpose. In most developed countries, it is used as an input to the valuation process in order to determine the worth/price of a building[37].

[37] Hollis (2005)

**Figure 8: Building dilapidation and defects report: Repair list**

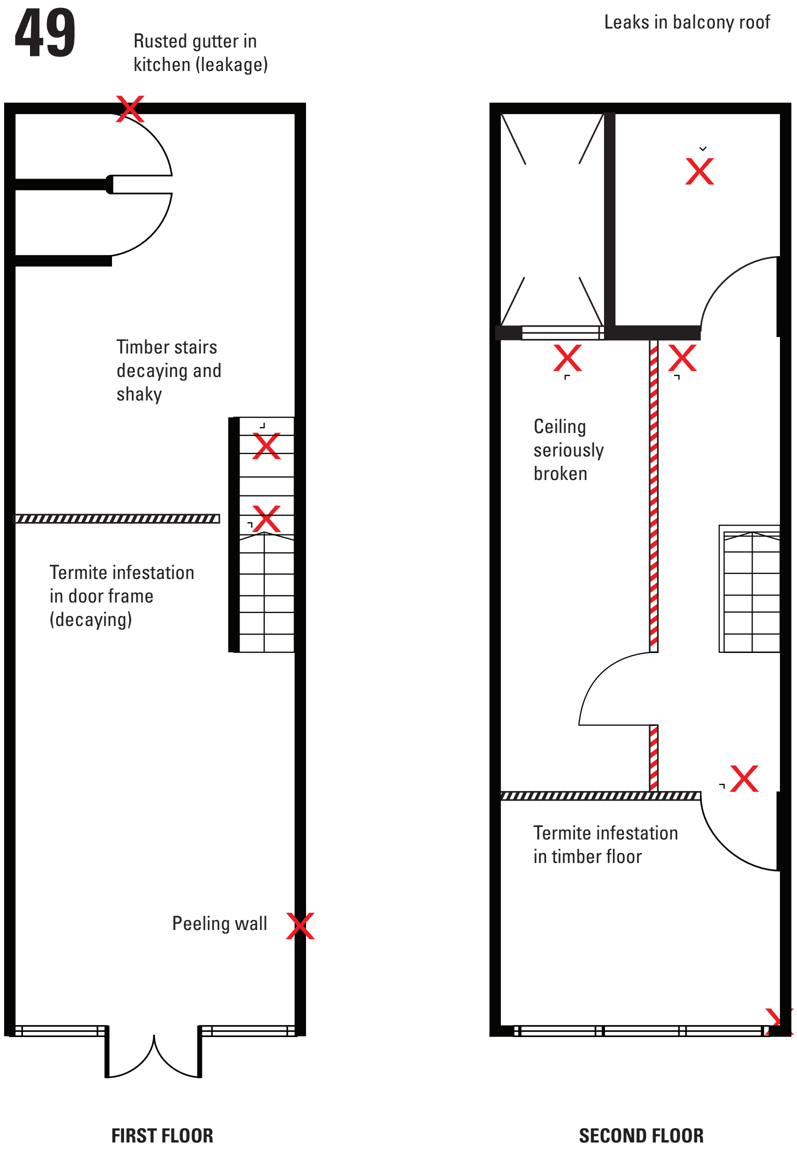
# 49

No. of tenants: 5
Tenancy / history: Residential / 40 years approximately

Repair work list
- Termite infestation in second floor and door frame (decaying)
- Peeling wall on ground floor
- Timber stairs decaying and shaky
- Leaks in balcony roof
- Second floor ceiling seriously broken
- Rusted gutter in kitchen (leaks)

Source: Ooi and Sia (2012)

**Figure 9: Building dilapidation and defects report: Building plans of required repairs**




Source: Ooi and Sia (2012)

**Photo 9: Tenants working out the loan repayment schedules**

Photo: TC

Based on the building dilapidation report and inter-house visits, the tenants prioritised their requests for building repairs. They strategized on the number of building rectification works needed and a viable loan repayment scheme for each unit.

In May 2011, ACHR announced the approval of funds for a CDF in Penang. A total of USD58,000 was allocated with a breakdown as follows:

- USD40,000 for city upgrading projects
- USD15,000 for small upgrading projects
- USD3,000 for capacity building

The amount used for the Pilot Project was USD15,000 or approximately RM40,000[38]. Once the application was approved, the tenants negotiated with the trustees on their tenancy agreement. The tenants proposed for the monthly lease to be converted to a ten-year period at a rent of RM400 per month.

38 Exchange rate in May 2011

## Phase 4: The rent determination process

**Photo 10: The rent-setting meeting**


Photo: TC

The determination of rent was based on two factors:

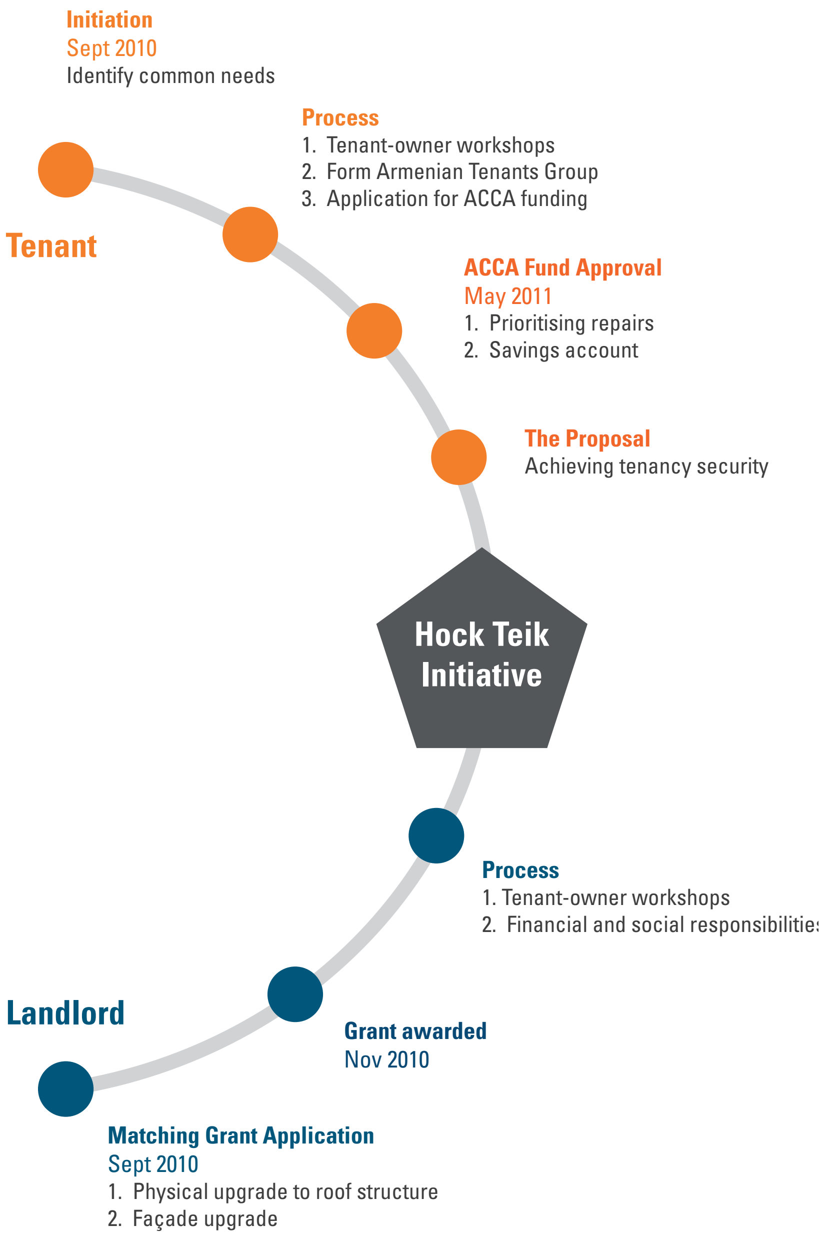
a) The tenants' calculated loan/investment repayments accounting for their monthly rent

b) The owners' calculated gains from TC's matching grant for structural building repairs

On both accounts, the owners will have the benefit of low maintenance costs. Maintenance costs is a significant determinant in the calculation of rent increments. The owners eventually agreed to the terms requested by the tenants, with the provision that subsequent rent increments must be made to reflect general inflationary trends.

It was a financially viable solution for both owners and tenants. The owners managed to refurbish their properties and the tenants attained a better tenancy agreement with affordable rents. More importantly, this process has strengthened the tenant-owner relationships—the tenants are now 'partners' to the project. The tenants are also confident that they can negotiate a new deal with the owners after the ten-year period has expired.

**Figure 10: The process**



## Bringing It All Together: Small Grants and the Importance of Leadership and Technical Expertise

The entire process took 10 months and involved delicate handling of a difficult operating environment. However, the tenants have acquired a ten-year affordable rent stabilization policy which does not require policing or monitoring from a central agency, as evident in rent control systems in other major cities[39]. The tenants themselves have come together as a collective to monitor and maintain the rent stabilization initiative with the landlords. Since they have invested their own money in the rented spaces, incidences of vandalism and the inappropriate use of facilities have been minimized. (Refer to Appendix 1 and 2 for more information on the complexities of rent control systems.)

A small grants programme afforded the opportunity to engage closely with both tenants and owners. The facilitation process warranted experts who have a deep understanding of the social and commercial environment as well as the technical competence of the development process. This was especially critical in issues of investing monies in specific aspects of the development process.

It was equally important to identify the key needs within the project and to locate it within the larger development agenda. If not, one can get entangled with the specific demands of the project in hand and lose sight of making the necessary structural improvements as part of the larger development agenda. Structural improvements are needed for the initiative to be sustainable. The structural improvements included nurturing a positive working relationship between communities and their building owners as well as with the local municipality.

Decisive and informed decision-making by the facilitators based on the wider objectives of preventing social dislocation was evident. This includes improving the process, continuously readapting the proposal and engagement strategy to reflect the changing circumstances. Therefore, the nature of a small grants programme that is agile and swift to respond to this dynamic operating environment was critical in the successful completion of the project.

[39] Kristof (1977)

# CHAPTER

# 04

CHAPTER 4

# SCALING IT UP: COMMUNITY DEVELOPMENT FUND

## Reinforcing Confidence: How and Why Has It Worked in Other Places?

It was clear to some parties (though not all) that the CDF was used as a strategic tool to induce a participatory process of a 'price-discovery of rent control' in the Pilot Project.

Therefore, it was imperative for the relevant parties to visit other communities that had gone through the community-led development process. A site visit was organized to Bangkok. The main purpose of this field trip was to create a better understanding of the processes associated with the fund management led by the Thai communities.

The participants included representatives from independent community project coordinators, community architects, tenants and owners from the Hock Teik Initiative, community leaders and NGOs from Penang.

The objectives of this trip were as follows:

1. To learn from communities that went through participatory processes with landlords and local governments for localised price-discovery of rent for better tenancy arrangements
2. To learn from communities, CODI, community architects and other relevant stakeholders on how to implement the CDF in wider city initiatives

During this field trip, the group visited seven communities around the Bangkok Metropolitan area. The Thai communities shared their experiences and success stories of their communal upgrades under the ACCA programme and CODI funding.

**Photo 11: Discussing the processes of CDF with community leaders**

Photo: TC

The group came back with the following best practices in devising CDFs:

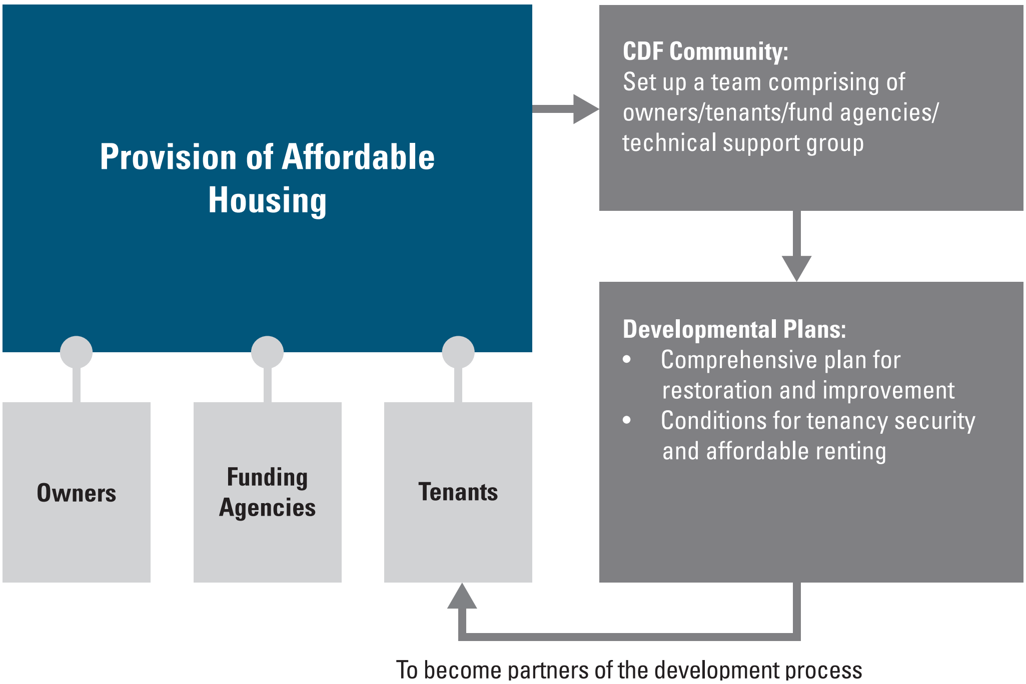
- Strategic processes that bring back communal ties to solve localised problems are important
- City development programmes should be conceptualised within a participatory process with communities
- Small grants are sufficient since communities should rely on their group savings as well

## A Different Grants Model

Under TC's GTGP, grants are dispersed directly to grantees who are mainly property owners. For physical restoration projects, grantees will normally receive up to 30% of total restoration costs. However, projects with (i) high developmental values and (ii) are deemed to protect the OUVs of the site will receive grants up to half of the restoration costs (matching grant).

In the Pilot Project, TC developed a new grant mechanism with ACHR. As shown in Figure 11 below, a combination of a matching grant to property owners and an ACCA loan to the tenants gave rise to an alternative method to provide affordable housing.

**Figure 11: Pilot project's phase: Building the participatory process**

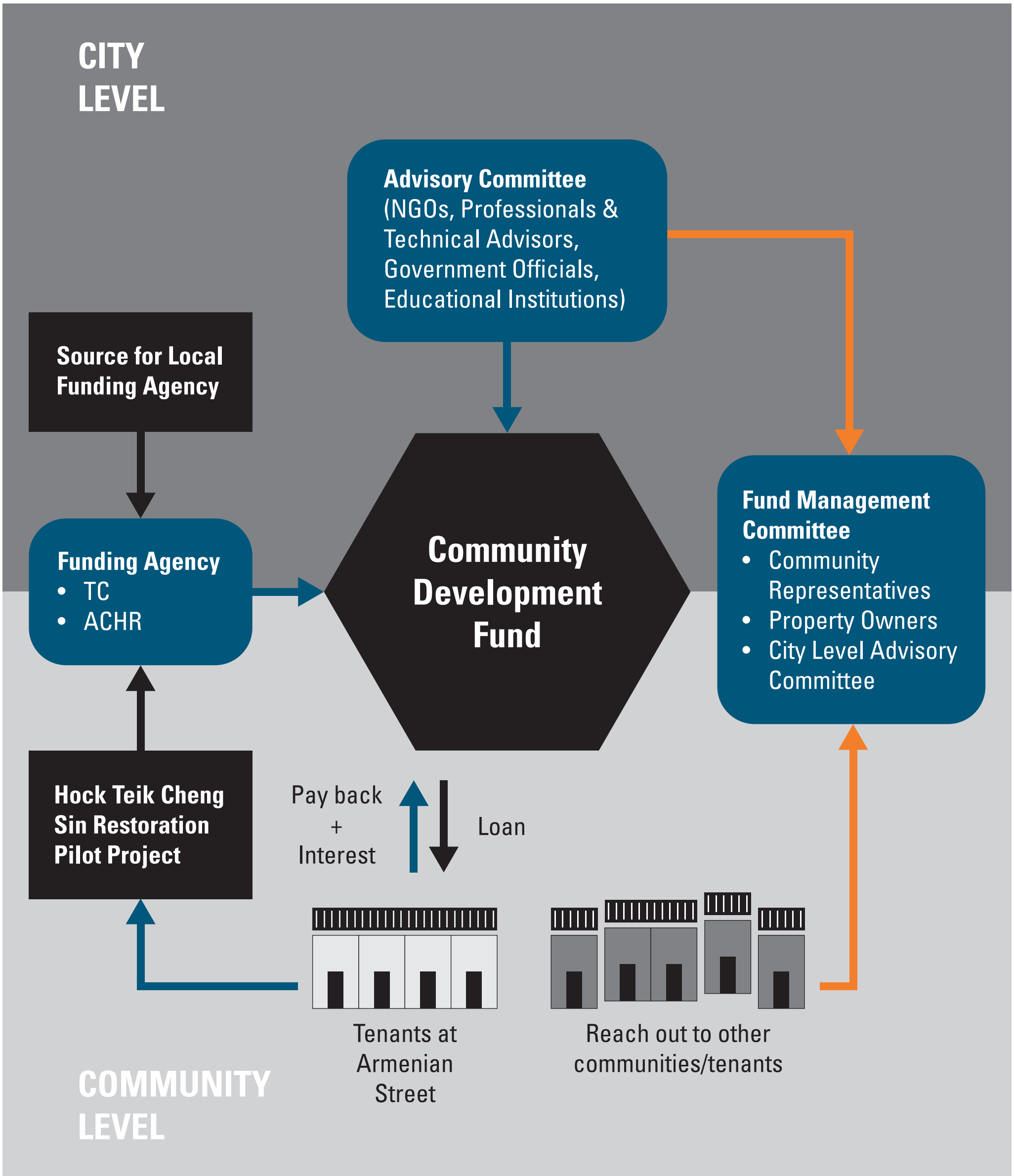


The success of the Pilot Project encouraged the team to embark on a more ambitious project—forming a CDF at the city level. It was envisaged that more communities can devise their own localised solution with the assistance of the CDF community and funding.

Therefore, ACHR suggested two aspects to be expanded in order to establish the CDF at the city level. The two guiding principles are as follows:

- **Community support group:**
  Communities who are facing urban challenges must organise themselves to clearly articulate their problems and manage the CDF independently
- **City level support group:**
  A support group is needed to provide technical advice or resource aid to assist the communities in managing the fund. The support group should consist of representatives from local organisations: government officials, NGOs, educational institution, professionals and the like.

**Figure 12: A framework for CDF in GTWHS**




Source: Adapted from Ng, Suraya, Ooi and Liew (2014)

## Introducing the CDF

TC organised a regional workshop in GTWHS with the objective of facilitating exchanges between several countries on experiences and ideas of community-driven approaches to heritage conservation.

The groundwork preparation for the workshop included the following:

- Introducing the fund's framework to local organisations to find potential technical support
- Setting up a Workshop Organising Committee with members of local organisations
- Introducing the potential of CDF to solve problems for more communities in Penang

The local NGOs, government officials, building professionals, landlords and owners, and professional individuals involved in heritage conservation work in GTWHS were introduced to the CDF concept. As with many new initiatives, it was received with mixed feelings.

**Box 8: Verbatim from stakeholders**

"Which immoral unethical people would force tenants to take up loans to pay for repairs in houses they don't own?"

"So now those landlords who do not join you are bad people…they don't care for the poor is it? Hey I pay taxes too!"

"Why are you doing this, social housing is the government's job, not the private sector!"

The above comments were addressed by the tenants and owners of the Pilot Project. They explained the fundamental concepts of a CDF and the importance of communities devising their own solutions in order to reside longer in the city.

The organising committee was formed in September 2011. The members comprised of TC, ACHR, GTWHI, Penang Heritage Trust, Arts Eds and other individual professionals (architects, engineers and conservationists).

Subsequently, a group of volunteers from the organising committee formed a team of Community Facilitators. Community Facilitators are tasked with approaching communities facing displacements or any other challenges. Communities themselves are encouraged to document their needs and make a presentation in the workshop. Due to the sensitivities of their cases, the identities of the communities will remain anonymous.

**Box 9: The challenges faced by the five communities**

- Residential Community 1: A community renting houses within a cultural/ religious compound facing eviction.
- Residential Community 2: A traditional fishing settlement by the waterfront facing environmental deterioration challenges.
- Residential Community 3: A community renting in a row of shop houses experiencing low tenancy security with the possibility of eviction.
- Traders Community 4: A trading community selling second-hand goods facing eviction from their business premise/space.
- Residential Community 5: A community facing eviction.

## Communities' Participation

The 3-day workshop was attended by 40 foreign participants from 16 countries and 52 local participants (18 of them were community representatives).

**Table 4: Heritage workshop: A 3-day learning experience**

| Phase | Objective | Activities |
|---|---|---|
| Day 1 | Setting the context—the scale of heritage planning at the city level and the needs of local communities at specific sites | • Introduction to GTWHS's historical narratives and the opportunities/ challenges specific to the site<br>• Sharing session of local issues by community representatives<br>• Visiting communities to understand their issues at site |
| Day 2 | International case studies | • Case studies of community driven processes in other heritage cities<br>• Finding solutions for issues faced |
| Day 3 | The way forward | • Regional and local group discussion on future directions |

The five communities played a key role in the sharing sessions and gained new experience in engaging with various regional participants of the workshop.

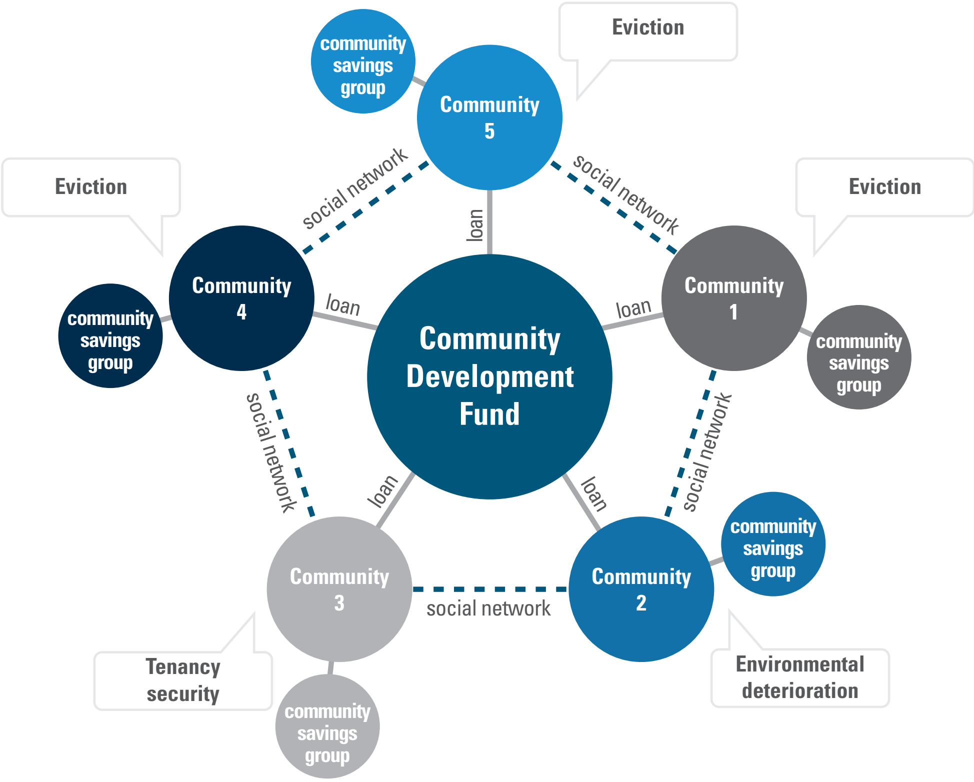
**Box 10: Some feedback from the participants**

Family X from Community 1 shared that they felt less isolated when they were given the opportunity to visit the other communities. "We felt helpless and don't know what to do besides feeling angry after receiving the notice of eviction." The workshop sharing session has provided them with alternative ways to find positive solutions.

The leader of Community 2 felt helpless when they received news of eviction. During the focus group discussion, he shared that his community was currently negotiating with the owners and he was at the verge of giving up until he was approached by the pilot team. The workshop has renewed his confidence to negotiate with the owners.

One of the most important elements in solving problems is to build the communal relationships and a sense of collective responsibility amongst all the affected communities. After the workshop, the five communities organized meetings amongst themselves to prioritise their needs with the assistance of technical experts. Subsequent meetings involved the owners and representatives from local municipal councils to find feasible solutions together. Building on the Pilot Project's experience, the communities deliberated on whether they should open a group savings scheme now should the need to invest arise later.

**Figure 13: Community network: Forming alliances to solve problems**



## Institutionalizing the CDF in GTWHS

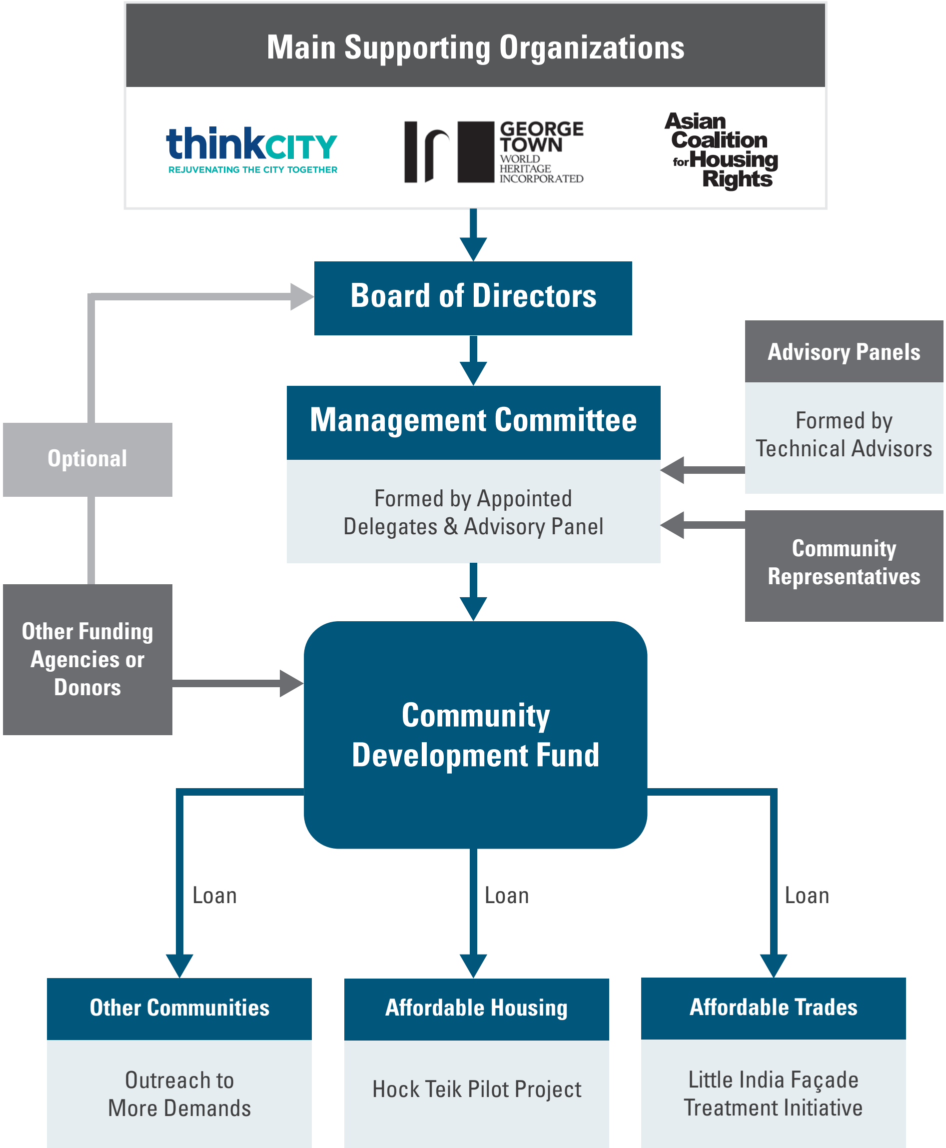
The guiding principle of CDFs is to instil a collaborative process in addressing urbanization challenges. It is only useful if communities themselves can articulate their problems in an informed manner. However, not all communities will possess the right technical skills. Therefore, the existence of a technical support group at the city level to provide this service to disadvantaged communities is crucial. Together, both the communities and the technical professionals will be able to conceptualize a more robust and sustainable solution.

The act of articulating solutions within a collective will induce participatory-led development initiatives. Once the social networks of participatory-led development are embedded in the local culture, the process of institutionalizing the CDF into a formal entity would be more effective.

In the case of GTWHS, it was thought best that the CDF is hosted by GTWHI, an agency of the state government[40]. The governance structure follows the participatory process and has representatives from technical professionals, local governments and communities.

[40] Many grants programme can be anchored at government agencies, refer to *Appendix 3: Greater London Authority Regeneration Initiative*.

**Figure 14: A basic model of a CDF for GTWHS**



# CONCLUSION

## Conclusion

Cities and towns in Malaysia were built over many years, during different periods of colonialism and industrialization. This creates the heterogeneity of buildings and urban landscape as it develops over time. Once the older building stock deteriorates, it will create a need for urban regeneration programmes, be it the restoration of existing buildings or the construction of new buildings on existing sites. This process, if not managed carefully, can create the gentrification of towns and cities.

This report highlights the benefits of a CDF in alleviating the pressures of social displacements in top-down urban regeneration development. The scale of big urban regeneration projects and the scale of displaced communities are different. The former is at a national/state or city level whilst the latter can be at the scale of neighbourhoods. Therefore, the existence of CDF to complement wider urban regeneration strategies is critical towards making city development more inclusive.

Like Penang's George Town, the growth and transformation of other cities across Malaysia is giving rise to changes to not only their physical fabric but also to the social structure that largely defines their sense of place and identity. Kampong Bharu, old Ipoh and old Kuching are just a few examples of sites that likewise hold significant historical and heritage value that are susceptible to loss in the force of modern urban development.

These three sites are unique in their own respect. Kampong Bharu, unlike George Town, does not quite share the same colonial history, with its noticeably Malay inspired wooden homes. On the other hand, old Ipoh, also unlike George Town despite its similar colonial history as suggested by its urban landscape, has its roots as a town that once prospered from a different type of economic activity (tin mining), as opposed to George Town's role as a port city. Also noteworthy is that neither old Ipoh nor Kampong Bharu hold a UNESCO WHS inscription. Yet, despite these differences, the future and growth of these places must not depend on efforts to preserve their historical landscapes only, but also the ability to include all their communities within the development process.

These places will benefit from the creation of a CDF.

## Policy Proposal: The Creation of CDFs in Towns and Cities

The two crucial steps in the creation of a CDF are as follows:

**Step 1: Establish the need to create the CDF**

**Step 2: Institutionalize CDF in a local municipality**

### Step 1: Establish the need to create CDF

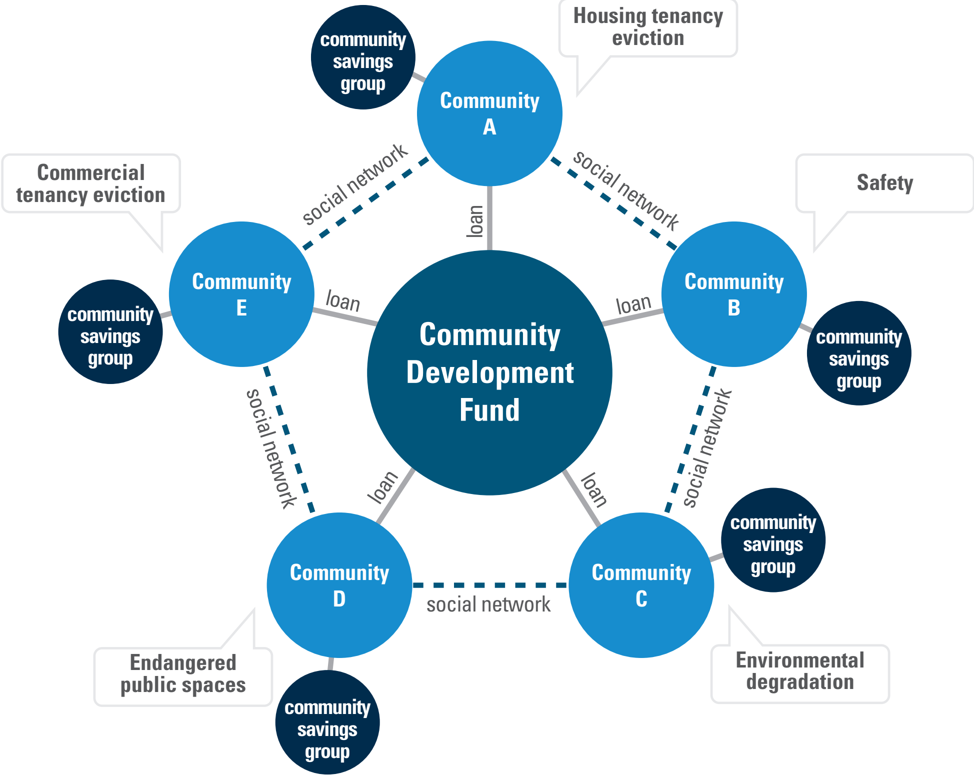
The Pilot Project in GTWHS had the objective of preventing the eviction of tenants from their shop houses. TC and ACHR developed a new grant mechanism where the combination of a matching grant to property owners and an ACCA loan to the tenants gave rise to a new method of providing affordable housing. It was also sustainable because the mutually agreed rent-price addressed both parties' financial burdens.

The inherent problems of rent control as discussed in Appendix 1 and 2 were prevented in this localised initiative. This is due to the following:

- The determination of rent considered the costs of building maintenance in a neutral and professional manner (based on the building technical report), apportioning it to both tenants and owners
- The rent determination process provided an informal platform that led to a more effective communication/negotiation between both parties
- This informal platform led to the creation of a secured tenancy for the period of 10 years and subsequently both parties will renegotiate the terms during tenancy renewal. Therefore, the process is dynamic and responsive to changing market conditions at the neighbourhood level.

The need to establish a CDF is incumbent on the urban challenges faced by communities in respective towns and cities. Examples can include housing tenancy, environmental degradation and even improving public spaces.

**Figure 15: Establish the need and create the community network**




The salient features of this process are as follows:

- Conduct citywide surveys to collect information on the urbanisation challenges facing communities
- Identify relevant stakeholders and explain the CDF programme
- Initiate a Pilot Project and develop the communities' savings group
- Develop social networks between different communities to learn from each other's experience in providing urban solutions
- Develop ties with technical professionals (architects, engineers, town planners, lawyers etc.) to develop sustainable and robust solutions

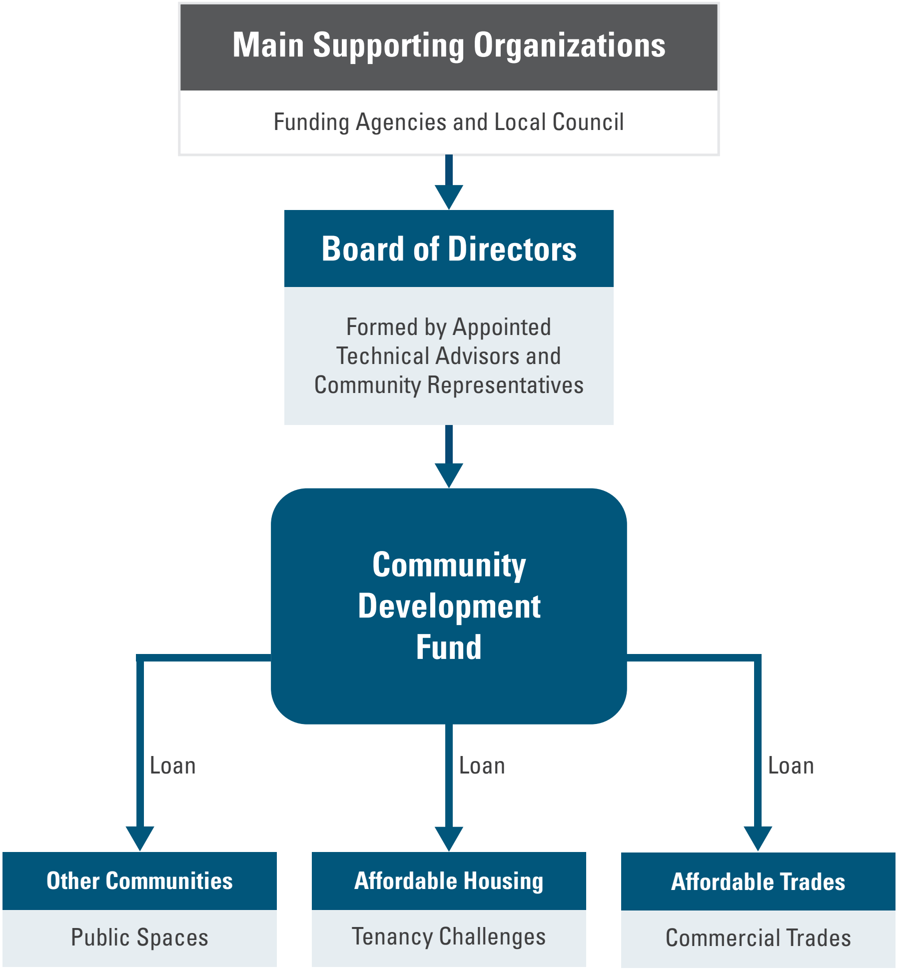
## Step 2: Creation of a CDF in a local municipality

The CDF methodology nurtures a positive working relationship between communities and their building owners as well as local governments, leading to more inclusive plans, programmes and practices in cities. It is a sustainable funding mechanism that promotes a community driven approach in addressing social displacements in urban redevelopment programmes.

The salient features of the CDF are as follows:

- Disadvantaged community leaders will form part of the management committee
- Technical advisors are critical in assisting communities develop robust and sustainable improvements
- Funding agencies can contribute directly to the CDF, with the understanding that participatory-led developmental initiatives have a longer time frame for completion
- Small and flexible payable grants are agile and swift to respond to changing operating environments
- Given that the CDF is embedded within the local governance structure, the respective municipal councils can ensure that the community projects are integrated within wider city-making initiatives

**Figure 16: The establishment of a CDF at a local municipality**



Citywide integration of the urban vulnerable community is only possible when the members of the community recognize their roles as city dwellers and demonstrate how their community forms and contributes to the identity and social fabric of the city.

CDF is a strategic funding model that engages and empowers vulnerable communities to actively participate, design and lead community based initiatives that aim to improve their living conditions.

It is an investment in one of the main pillars of making cities more inclusive.

# APPENDICES & REFERENCES

APPENDIX 1:

# RENT CONTROL IN NEW YORK CITY (NYC)

Rent regulation in NYC is one of the most studied systems due to its controversial features and effects. The system dates back to the 1940s during the post-war economic transition period in the United States and has evolved into two separate programmes—rent control and rent stabilization. While originally intended as a temporary anti-inflationary device, these programmes perpetuated into the far future and persist until today, generating consequences that are arguably the exact opposite of its objectives. This article lays out the historical evolution of the system and the arguments regarding its effectiveness.

## History of Rent Regulation in NYC

In the wake of the rapid inflation that emerged during WWII, President Roosevelt established the Emergency Price Control Act (EPCA) in 1942 as a nationwide price control measure. This particular war aftermath was clearly manifested in the housing market. During the war, housing construction came to a virtual halt, and a large number of veterans were returning home post-war. The lack of supply combined with the soaring demand for accommodation posed a serious housing shortage in the country, which led to a drastic surge in rental prices.

Price control for rental apartments was therefore included as part of the EPCA and was officially enacted on 1 November 1943 to fix rental price in NYC at the 1 March 1943 level[41]. That marked the inception of the city's rent control programme in its history.

[41] TenantNet (n.d.)

Following the end of WWII in 1945, EPCA was terminated two years later as the country's economy gradually recovered from the war-induced inflation. Instead, the Federal Housing and Rent Act of 1947 was enacted on 1 July 1947 to lay down a new regulation which kept pre-1947 buildings under rent control, but completely exempted new construction beyond 1 February 1947 from any regulation[42]. This was taken as a measure to progressively move the housing market towards a free demand-supply mechanism.

Unfortunately, the housing shortage remained prevalent in 1950, argued to be partly exacerbated by rent control. As a withdrawal of federal controls was also in sight at that time, the authority to administer rent regulation was transferred to the State of New York under the purview of the Temporary State Housing Rent Commission, according to the 1949 Federal Housing and Rent Act. As the name of the agency suggests, the control was meant to be a temporary measure to prevent "speculative, unwarranted, and abnormal" rent increases and evictions of tenants in the crisis[43]. Rents were frozen at the 1 March 1950 level, and issues related to rents, services and evictions were all regulated by the system. At that time, there were around 2.5 million rental units under the control programme state-wide, with 85% located in NYC[44].

Throughout the 1950s and 1960s, various limited deregulation measures were introduced in the state in the belief that market intervention through rent control would only prolong the housing shortage crisis by deterring new construction[45]. However, the highlight during the 1960s was the transfer of rent control administration from the State to the City through the introduction of the Local Emergency Rent Control Act in 1962. This was due to political complications and the fact that most of the controlled units were in NYC. In 1964, the regulatory responsibility was again passed on, this time from the Temporary State Housing Rent Commission to the New York State Division of Housing and Community Renewal (DHCR).

42 Ibid.
43 Kristof (1977)
44 TenantNet (n.d.)
45 Ungar (1978)

By 1969, a series of inter-related social, demographic and economic difficulties created further complications in the city's housing market. The post-war period saw an emerging trend of demographic change in the city—a wave of out-migration of primarily white middle-class families was accompanied by an influx of black and Hispanic minorities. This eventuated in a major shift in the demographic composition of neighbourhoods within the city, which further aggravated the outflow of whites from changing neighbourhoods due to prejudice and anxiety.

In conjunction with these, the increase of publicly assisted low- and middle-income housing construction programmes gave shape to a new residential pattern. Black and Hispanic families became the predominant tenants of old and new public housing, whereas white middle-income families, mostly upon leaving older, changing neighbourhoods, took up "subsidized middle-income and privately financed full taxpaying housing"[46]. Eventually, these older rent-controlled neighbourhoods were taken over by the lower-income minorities. But a consequence more prominent than this was the significant abandonment of rental apartments observed in the racially changing neighbourhoods.

The escalating demand for new uncontrolled housing by the whites wedded with extensive apartment abandonment continued to perpetuate a critical housing shortage, thus inflating rent prices. The free market signalled rent increases of 40% or more as the vacancy rate hit rock-bottom in 1969[47]. Rent deregulation was put on trial. On 6 May 1969, the City enacted the Rent Stabilization Law (RSL) of 1969 in response to the housing emergency in NYC. The RSL became the second generation rent regulation law introduced in the city. It was then that the proclaimed 'temporary' nature of rent control—which guaranteed permanent exemption of new buildings—was severely challenged and resulted in a near cessation of private new rental construction by rental property investors[48].

46 Kristof (1977)
47 Ungar (1978)
48 Kristof (1977)

Two groups of apartment units fell under the stabilization law: the previously uncontrolled post-1947 buildings and former controlled apartments which had been decontrolled. These are apartments in buildings of six or more units. In NYC, about 40,000 apartments that were uncontrolled became subject to stabilization. Of these, around 81% were in buildings constructed after 1 February 1947, while the rest belonged to the latter group.

The RSL was seen as more accommodative compared to the older rent control regulation. Unlike rent control which permitted no rent increases at all, rent stabilization allowed for annual increases at the rate determined by the newly established Rent Guidelines Board to account for the owners' increased operating costs. Another unprecedented feature of the RSL was the authorisation of a private association of stabilized landlords—the Rent Stabilization Association—to draft a code for the jurisdiction of rent increases and other matters involved in the landlord-tenant relationship[49]. Under the supervision of the Housing and Development Association (HDA), this code was intended as a tool to grant landlords authority which, hopefully, would encourage new construction and better maintenance of buildings.

In that light, it is not hard to understand why deterioration, disinvestment and abandonment in the stringent controlled housing market continued to prevail. Therefore in 1970, the City, for the first time, adopted a rent adjustment mechanism in the rent control system to curb the above-mentioned plights. Termed the 'Maximum Base Rent' (MBR), the programme computes a maximum rent level for every controlled apartment in NYC. This rent is an estimation of income required for the operation of the housing unit given the current costs, accounting for an 8.5% return on equalized assessed value[50] and is revised biannually. Under the programme, owners, who prove to be providing essential services and free of any code violations, are allowed to raise rents up to 7.5% annually until they reach the MBR.

[49] Ungar (1978)
[50] TenantNet (n.d.)

Soon after the introduction of the RSL and MBR, the State started intervening in the city's housing market again by enacting the Vacancy Decontrol Act. All apartments under both regulation programmes which were voluntarily vacated by tenants on or after 1 July 1971 were allowed to be decontrolled.

However, the same period of time witnessed rapid inflation caused by the Vietnam War. Findings from the Temporary State Commission on Living Costs showed that in NYC, average rent increases of 52% in decontrolled units and 19% in former stabilized units as a result of vacancy decontrol were recorded. These results were juxtaposed with a much lower operating cost increase of 7.9%[51]. Vacancy Decontrol Law was terminated on 1 July 1974 and replaced by the Emergency Tenant Protection Act (ETPA) 1974 by the State.

Under the ETPA, buildings with six or more apartment units which were completed between 11 March 1969 and 31 December 1973 were covered by rent stabilization. Stabilized properties which were vacancy-decontrolled were re-subject to the stabilization programme; controlled properties which were deregulated under the same law either remained decontrolled, or transferred to the stabilization system if a negotiated market rent was established for a vacated unit[52].

Only a decade after these did the next prominent event in NYC's housing market take place. In 1983, the State administration of rent regulation in the city was restored. Following that, several legislation changes continued to occur throughout the years, comprising mainly of a series of deregulation laws.

[51] Ibid.
[52] Kristof (1977)

Table 5 outlines the regulation system that prevails today.

**Table 5: The differences between rent control and rent stabilization**

<table>
<tr><th></th><th>Rent Control</th><th>Rent Stabilization</th></tr>
<tr><td>Types of property covered</td><td><ul><li>Residential buildings constructed before February 1947 in municipalities that are still subject to the post-war rental housing emergency.</li><li>Apartments in which the tenant must have been residing continuously since before 1 July 1971.</li><li>Apartments in a one- or two-family house in which a tenant has been in continuous occupancy since 1 April 1953.</li></ul></td><td><ul><li>Apartments in buildings of six or more units built between 1 February 1947 and 1 January 1974.</li><li>Apartments in buildings of six or more units built before 1 February 1947 and who moved in after 30 June 1971.</li><li>Apartments in buildings with three or more apartments constructed or extensively renovated since 1974 with special tax benefits.</li></ul></td></tr>
<tr><td>Functions</td><td>Besides limitations on the amount of rent, other tenant protections are provided, such as:<ul><li>entitlement to essential services;</li><li>restriction of owners’ rights to evict tenants; and</li><li>openings for tenants to file complaints on the owner.</li></ul>Tenants are considered ‘statutory’ tenants, hence do not require lease renewal.</td><td>Besides limitations on the amount of rent, other tenant protections are provided, such as:<ul><li>entitlement to essential services;</li><li>renewal of leases;</li><li>restriction of owners’ rights to evict tenant; and</li><li>openings for tenants to file complaints on the owner.</li></ul></td></tr>
<tr><td>Rent increases</td><td>Under the MBR programme, owners, who prove to be providing essential services and have removed violations, are allowed to increase rents up to 7.5% annually until they reach the MBR, which is set for each apartment and revised biannually to account for operating costs changes.</td><td><ul><li>Rate for rent increases is set by the Rent Guidelines Board and revised annually.</li></ul></td></tr>
</table>

| | Rent Control | Rent Stabilization |
|---|---|---|
| **Deregulation through vacancy** | • Rent-controlled apartments become decontrolled upon vacancy.<br>• If the apartment is in a building constructed before 1 January 1974 and has six or more units, it becomes rent stabilized upon vacancy.<br>• If the apartment rents for more than $2,700, even if it is in a building with six or more units, it will be fully deregulated. See below for more information. | • Apartments which are stabilized because the owners receive J-51 or 421-a tax benefits may be deregulated upon vacancy.<br>• A stabilized apartment which was tenanted during the conversion to a co-op may be deregulated upon vacancy.<br>• Another common source of deregulation is through High-Rent Vacancy Deregulation. See below for more information. |
| **High-rent vacancy deregulation and high-rent high-income deregulation** | A legislation where deregulation of apartments occurs based on rents and tenants' income reaching certain thresholds.<br>• The Deregulation Rent Threshold (DRT) can be adjusted on 1 January each year. The DRT for 2017 for both kinds of regulation in NYC is $2,700.<br>• The Deregulation Income Threshold, which is not adjusted annually, is $200,000.<br>A written order issued by DHCR is required for deregulation for High-Rent High-Income. | |
| **Number of properties covered as of 2014** | 27,000 apartments | 1,030,000 apartments |

Source: New York City Rent Guidelines Board (2016a), New York City Rent Guidelines Board (2016b) and NYSHCR (n.d.a.)

## Required and Essential Services

Under both Rent Control and Rent Stabilization regulations, the provision and maintenance of equipment and services are required of landlords. These required and essential services include, but are not limited to, repairs, heat, hot and cold water, maintenance, painting and janitorial services, elevator service and ancillary services such as garage and recreational facilities[53]. In general, a 'required service' is one that was provided on the base dates[54] or one required to be furnished by any state or local law, ordinance or regulation applicable to the premises[55].

Where an equipment or service is defective, the owner of a unit can:

- repair the equipment at his or her own expense; or
- replace it with repaired or used equipment which must be a close substitute to the item replaced and in good working order. In this case, no rent increase is allowed based on the cost incurred by the repair or replacement; or
- replace the item with a new one, in which case the owner may be entitled to a rent increase. For occupied apartments, the tenant's voluntary written consent is required before the increase is imposed. However, if the new equipment is furnished while the apartment is vacant, written consent of the new tenant is not required[56].

Tenants can file a written complaint to DHCR in the event that the owner fails to provide or maintain services. Such complaint, if verified, may lead to the issuance of an order by DHCR requiring a rent reduction to the level prior to its most recent adjustment and services to be maintained[57]. Examples of conditions warranting a rent reduction are the lack of heat or hot water, unsanitary common areas (halls, lobby) and broken door locks. Until the services are restored and DHCR restores the rent, the owner is ineligible for any rent increase.

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53 NYSHCR (n.d.b.)

54 Base dates for rent stabilized units are 31 May 1968 and/or 29 May 1974, while 1 March 1943 is the base date for rent controlled units in NYC (NYSHCR, n.d.b.)

55 NYSHCR (1989)

56 NYSHCR (n.d.b.)

57 NYSHCR (1989)

However, not every deficiency constitutes a reduction in service. If the item listed in a tenant's complaint exerts only a minimal impact on the tenant, does not affect the use and enjoyment of the premises, and may exist despite regular maintenance, a rent reduction would not be ordered[58]. Examples of such conditions include a burned-out or missing light bulb in a public hallway—which does not severely affect the illumination to a hazardous level, a small crack in the wall and a small paint chip in an enamel appliance. In these cases, DHCR may issue an order requiring the owner to resolve the situation within 30 days[59]. Nevertheless, failure to address the minor service condition would potentially aggravate the problem and eventuate in an order for rent reduction.

On the other hand, the owner is entitled to a rent increase under certain conditions. As long as the lease appropriates the collection of an increase during the lease term, rents can be increased:

- with the written consent of the existing tenant, if the owner increases service or equipment, or makes improvements to an apartment; or
- with DHCR approval, or if the owner installs a building-wide major capital improvement[60].

[58] Ibid.
[59] Ibid.
[60] NYSHCR (n.d.a.)

## Evaluation of the Rent Regulation System

Rent regulation was introduced in NYC with the objective of protecting tenants from unfair exploitation by landlords during a time of desperate housing shortage. It is natural to imagine that when supply is scarce and demand is overheated, landlords would have the leverage to inflate their rents, often unreasonably, as the willingness to pay is high; eviction of tenants could also be done rather freely as there is little fear of vacancies.

This bargaining disadvantage faced by tenants forms the basis of arguments in favour of rent control. Under regulations, an arguably comprehensive net of protection is provided for the vulnerable tenants. A price ceiling below normal market price is established to restrict the amount landlords are legally allowed to charge. But this alone would not be sufficient if landlords could freely evict tenants whose payments fall short of their expectation. The regulation therefore sets another strict rule that prohibits the eviction of tenants even on the grounds of failure of rent payment. Landlords can only evict tenants if they are proved in court to have violated a tenancy condition[61].

Proponents of rent regulations often argue that these protections are critically needed as most tenants belong to the low-income groups. Economy-wide inflation which accompanied almost every wave of housing shortage in the city made rent regulation all the more necessary to prevent further income erosion of the poor. NYC's 1996 Housing and Vacancy Survey showed that the average annual incomes of rent stabilized and rent controlled households are USD21,600 and USD12,408 respectively[62]. In fact, by 1996, only approximately 5% of households in rent stabilized units earned an annual income of USD100,000 or more; whereas the statistics for rent controlled households stood at less than 1%[63].

The system seems fairly targeted until the opponents took a more holistic inspection of the housing market by comparing the household income characteristics in NYC by unit type, rather than focusing only on the controlled group. As shown in Table 6, on average, in 1968, households in the rent controlled units are in a significantly higher income group than those in the uncontrolled units. The former's gross rent also made up a lower percentage of their income.

61 Collins (1997)
62 Ibid.
63 Ibid.

**Table 6: Household income characteristics in NYC, by unit type, 1968**

| Item | Rent controlled occupancy | Uncontrolled occupancy |
|---|---|---|
| Income group | $10,000–$14,000 | $4,000–$5,000 |
| Number of households | 135,000 | 103,373 |
| Median monthly gross rent | $108 | $123 |
| Gross rent as a percentage of income (median) | 10% | 28% |

Source: Kristof (1977)

This phenomenon is argued to be the result of the regulation's flaw in tying aid to a property instead of a person or household. Though initiated as a tool to ensure housing affordability to the vulnerable group during crisis, it seems like the regulation design did not allow for financial ability or housing need to be a determinant of one's ability to secure a controlled apartment[64]. Uncontrolled apartments, which were up for competition among those unfortunate enough not to acquire a rent-regulated apartment, were renting at a median price almost twice that of controlled apartments[65]. Apparently, the regulation did not exactly make the city a more affordable place to live in for those unlucky ones. A report from the Senate Committee on Banking, Housing and Urban Affairs issued by Congress reflected a similar sentiment:

*"Interestingly enough, there is no evidence to show that rent control benefits the poor. Quite the contrary, it helps a small, privileged group of long-time residents, largely middle class, while driving up rents in uncontrolled units[66]."*

The matter of affordability, while often extensively discussed from the tenants' perspective, is always neglected on the landlords' side. It must be remembered that as much as rents are a part of tenants' expenses, they are also a portion of landlords' income; to the extent that tenants are affected by the erosion of incomes in times of inflation, landlords are impacted by the increasing costs of apartment operation and maintenance as well. Some opponents argue that the absence of evidence to prove that on average tenants have significantly lower incomes than landlords does not justify the skewed attention focused on tenants[67].

64 Kristof (1977)
65 Ibid.
66 Dienstfrey (n.d.)
67 Ault (n.d.)

The welfare of landlords is undeniably of equally paramount importance, but for some reason fell on deaf ears. The complaint that rent increases did not occur at the same rate as costs was found to have contributed to the drastic deterioration of NYC's housing stock. According to the NYC 1975 Housing and Rental Survey data which compare the extent of deterioration between controlled and decontrolled apartments of similar age group, the controlled sector recorded a higher percentage of units with deterioration in every maintenance group except one (see Table 7)[68]. The differences between both categories even go beyond 100% in some categories. When compared with rental housing in all central cities of the Northeast Region, NYC's decontrolled sector, on the other hand, fare about the same. In 2014, though the gap between the regulated and unregulated sectors has evidently narrowed, the apparent disparity remained (see Table 8).

**Table 7: Percentage of renter-occupied households in NYC, by maintenance deficiency, 1975**

| Item | New York City | | Central Cities Northeast Region |
|---|---|---|---|
| | Controlled | Decontrolled | |
| Breakdown in heating system | 34% | 13 | 20 |
| Breakdown of toilet | 6 | 3 | 3 |
| Broken plaster or peeling paint | 23 | 10 | 18 |
| Dilapidated or lacking plumbing facilities | 9 | 5 | n.a. |
| Holes in floor | 12 | 7 | 6 |
| Holes in walls, ceiling | 30 | 16 | 19 |
| Rodent infestation | 28 | 31 | n.a. |

Source: Kristof (1977)

[68] Kristof (1977)

**Table 8: Percentage of renter-occupied households in NYC, by maintenance deficiency, 2014**

| Item | Controlled | Stabilized | Unregulated |
|---|---|---|---|
| Additional heating required | 17% | 21 | 16 |
| Breakdown in heating equipment | 20 | 18 | 10 |
| Breakdown of toilet | 7 | 12 | 8 |
| Broken plaster or peeling paint | 32 | 19 | 9 |
| Open cracks/holes in interior walls or ceiling, or holes in floor | 24 | 17 | 8 |
| Rodent infestation | 19 | 25 | 14 |
| Water leaks | 23 | 22 | 11 |

Source: USCB (n.d.) and KRI calculations

Another successful argument of rent control opponents was that rent regulation leads to housing abandonment and disinvestment in NYC. The logic is simple: the reduction in profitability in the rental housing market discourages institutional investment. The consequences of which are multidimensional, affecting not only the poor, but the city's economy as a whole as well. The impact on the poor or minorities are direct—less availability of rental housing means less chance of securing an affordable home. This was not particularly felt by the wealthy because—though there is no official proof of this—anecdotal evidence is abundant in showing that the rich and well-connected tenants often found their way in the illegal market to obtain a rental unit[69].

However, this reasoning was often denied by the proponents, arguing that new housing stocks were always exempted from most rent control law, thus the presence of rent regulation could not be blamed for the above phenomenon[70]. Though such provision did suppress the effects of rent control in this aspect, investors throughout the country were still very much affected by the "betrayal" of the authority in its move to introduce RSL 1969 despite the rent control programme's guarantee of permanent exemption of new buildings[71]. Any promise to leave new buildings unregulated could hardly be viewed without scepticism by investors in a city where

69 Dienstfrey (n.d.)
70 Collins (1997)
71 Dienstfrey (n.d.)

old rent control law still persisted. This lack of trust sustained the continuance of housing abandonment in NYC.

The ripple effect of the deterioration in quality, and subsequently in value, of the city's housing stock was manifested on the city's shrinking real estate tax base and declined tax collections[72]. Within the span of about two decades, the average market values of controlled buildings dropped from five and six times the annual rent roll in the early 1960s to a multiple of not more than one in late 1970s[73]. This then contributed to the decline in aggregate real property assessed values in NYC and the inability of property owners to pay taxes on their rented buildings as a result of inadequate controlled rents[74]. As such, the city's losses in tax income was inevitable.

In summation, the primary debate on rent control revolved around the issue of inequity in that it protects tenants at the expense of landlords, and if this was acceptable at all, the inefficiency of the system in targeting and benefitting the poor. But there is one thing both proponents and opponents of rent control predominantly agree on—that a win-win-lose situation would prevail if the regulation was lifted[75]. Landlords and the middle class would be better off, while the beneficiaries today would suffer. Landlords of those controlled units would invest in maintenance and charge higher rents. Thus, many government subsidy recipients would have to vacate their apartments, probably for the outer boroughs. Meanwhile, as all apartments become subject to free market mechanism, previously unregulated apartments would see a plunge in rents[76].

NYC is highly likely to move towards market-rate housing rents. Over the past three decades, approximately 231,000 units have been deregulated. The NYC Rent Guidelines Board is aiming, eventually, for a zero rent-controlled apartments city.

72 Kristof (1977)
73 Ibid.
74 Ibid.
75 Davidson (2013)
76 Ibid.

APPENDIX 2

# RENT CONTROL IN KUMASI, GHANA

Ghana's adoption of a rent control regime nationwide has been seen as one of the more stringent examples of rent regulation. Decades after its initial adoption, its implications for rent levels and the operation of the rental housing market have been significant. Like numerous other examples of rent controls, this began in Ghana as an attempt to reduce wartime inflationary pressures. However, unlike many other systems that seek to set rents at levels deemed as fair to both tenants and landlords, landlords in Ghana have arguably been given less priority throughout its history.

## History of Rent Control in Kumasi

Rent control started in Ghana prior to independence back when it was a British colony known as the Gold Coast. In response to inflationary pressures felt during WWII, the Defence (Rent Restriction) Regulation of 1942 deemed it an offense to increase rents above those of 3 September 1939, unless assessed by a Rent Assessment Committee[77]. This was applied only to premises occupied by low-income households, whereby protection was deemed unnecessary for those who could afford to pay GBP100 per year of rent during the war. Furthermore, evictions could only be executed by court order.

In 1943, the concept of a 'standard rent' was introduced, which fixed rents at specific levels for the most common types of property. For any other type of accommodation, rents were assessed by an appointed body, or by agreement between tenant and landlord. In 1947, wartime regulations were removed by the Emergency Powers Act, 1946. However, rent restrictions were retained until December 1947, by which time the Rents (Control) Ordinance, 1947 declared that rent control was to continue[78].

Following an amendment to the ordinance in 1949, it became illegal for landlords to demand in advance more than one month's worth of rent for monthly leases, or three months in cases of longer leases. This was established to prevent landlords from taking advantage of wartime conditions, following cases of landlords demanding up to one year's rent in advance from would-be tenants[79].

However, by 1951, standard rents were still largely fixed at 1939 levels. These were deemed uneconomical in the post-war period as the daily wage had since more

[77] Malpezzi et al. (1990)

[78] Tipple (1988)

[79] Malpezzi et al. (1990)

than doubled while the cost of living tripled. The unrealism of rent levels continued to frustrate landlords, who then resorted to the following ploys in an attempt to bypass regulations[80]:

a) Unofficial rent agreements forced on tenants
b) Having their tenants evicted to make room for family members and then re-letting after a few months for higher rents
c) Removing their properties from control by raising rents to above GBP100 per year
d) Letting the whole house for more than GBP100 per year to a middleman who then re-let its rooms for uncontrolled rents

By the 1950s, it became clear that no benefit could come of rent control without an increase in the supply of housing, as the shortage and the resulting deterioration in living conditions were noticeably acute in Kumasi and the other big cities. At a time when the government was providing comparatively large proportions of new accommodation and seeking the stabilization of rents, the 1952 Rent Control Ordinance was introduced. This ordinance revised the 'standard rent' to rents of 1 January 1948 or such as had been fixed by rent control.

The 1952 ordinance also withdrew the GBP100 per year limit, which meant that all residential properties were under rent control, except government housing or any housing used by government officers. The ordinance also made it an offence to demand or receive key money, and rent assessment committees were put under the direct control of local authorities. In 1960, under the Rent Control (Amendment) Act 1960, 'standard rents' were amended to those charged on 1 July 1960.

The Rent Act 1963 formed the basis of rent control in Ghana ever since independence in 1957. Under the act, the 'standard rent' was renamed the 'recoverable rent' and was used as the basis of rents to be recovered by landlords. The act also continued to have no upper limit on controlled premises in terms of its coverage. It also made no distinction on whether a premise was considered 'self-contained'[81]. Furthermore, payments in advance were limited to one month for monthly leases and six months for longer leases.

80 Tipple (1988)
81 A self-contained premise refers to any premise which did not share with other premises any amenities, such as kitchens or washrooms.

In cases where material changes had been applied to the premises, or there was a cause for dispute, or the property was built after 1960, a Rent Officer would fix rents by accounting for the following[82]:

a) rateable value
b) land value
c) the rates payable
d) recoverable rent assessed for similar premises where they have been assessed by the minister
e) estimated cost of repairs or maintenance
f) amount of rent for like premises
g) current rate of interest charged by the Ghana Commercial Bank for overdrafts
h) obligations of landlord, tenant or other interested parties under the lease
i) justice and merits of each case

Notably however, these contained no provisions for assessing the affordability of rental payments for tenants.

Until and including the 1963 act, the grounds for eviction included rent arrears; tenants neglecting their obligations, causing a nuisance, abusing or damaging the premises; or lease expiration[83]. Evictions could also be carried out in cases where the premises are reasonably required for occupation by the landlord or the landlord's family or employees. Subletting without the landlord's permission was also prohibited by the 1963 act. However, the act exempted premises where a public officer is a tenant and those where the government is the landlord.

In 1973, rents were prescribed by the Rent (Amendment) Decree 1973 for single rooms, while single rooms occupied by a tenant whose income exceeded C1,000 per annum were excluded. However, this was quite low, since the mean wage rate for Africans in reporting industrial establishments was C950[84]. This meant that anyone with a wage higher than the mean industrial wage but living in one room

82 Malpezzi et al. (1990)
83 Ibid.
84 Ibid.

was liable to be outside the protection of rent control. For certain premises, the prescribed rents under the 1973 decree are as described in Table 9. However, these prescribed rents appear only to take into consideration what people can afford to pay rather than any assessment of the property itself. For instance, there was no mention of whether tenants have access to water supply or toilets and so on. Self-contained premises were exempted entirely from rent controls.

**Table 9: Prescribed rents for certain premises, 1973**

| Room type | Size | Monthly rent per room |
|---|---|---|
| Sandcrete or landcrete | 12ft x 12ft | C7.50 |
| | 12ft x 10ft | C6.50 |
| | 10ft x 10ft | C5.50 |
| Wooden, swish or iron sheet | 12ft x 10ft | C4.50 |
| | 10ft x 10ft | C3.50 |

Source: Malpezzi et al. (1990)

The 1973 decree also tightened the regulations regarding subletting. For many years, subletting enabled tenants of houses owned by government agencies to profit from the very low rents by subletting their premises, either in whole or in parts, to fetch a higher rent. During the 1970s, around 90% of detached kitchens in the Asawase region of Kumasi were sublet to other households[85]. To limit exploitation via subletting, under the 1973 decree, occupants of houses built by government agencies were not to charge, demand or receive on subletting more than an aggregate of:

a) the instalment payable per month to a government housing agency;

b) the equivalent of property rates payable; and

c) 20% of the total of a) and b).

A year later, the Rent (Amendment) Decree 1974 sought to improve the provisions of the 1973 Decree. By it, a reasonable increase in rent was allowed when a premise acquired from the government was renovated. Disagreements or doubts were referred to the Rent Magistrate.

[85] Ibid.

In 1979, limits to rent control were removed and new rent levels were imposed, as specified in Table 10. Rent controls were extended to certain self-contained premises, whereby self-contained government housing more than doubled. This time, there was no distinction made for the building materials used nor for the various levels of facilities that constitute 'shared amenities'.

**Table 10: Controlled rents, as of July 1979**

| Type and size of accommodation | Location (where specified) | Rent per month |
|---|---|---|
| 1 room / shared amenities / 12ft x 10ft. | Regional Capitals and Tema | C20 |
| | Elsewhere | C16 |
| 1 room / shared amenities / size not specified | Regional Capitals and Tema | 16p/sqft |
| | Elsewhere | 12p/sqft |
| 2 rooms / self-contained semi-detached like SHC type 1 | | C150 or 27p/sqft |
| 3 rooms / self-contained semi-detached house like SHC type 2 | | C175 or 30p/sqft |
| 3 rooms / self-contained detached house like SHC type 3 | | C200 or 34p/sqft |
| Other self-contained houses with more than 3 rooms | | By negotiation |

Note: SHC—State Housing Corporation
Source: Malpezzi et al. (1990)

In 1982, a new law once again tightened rent control. All rents were reduced to C20 per month for single-roomed housing and C50 per month for suites of two rooms. Premises with rents already lower than this were to maintain rents at their 31 December 1981 level. These regulations did not apply to existing rents that exceeded C1,000 per month, in which case landlords were subject to a 50% tax on rent. Any landlord who failed to pay this tax, or demanded higher than the allowed rent, was liable to forfeit his premises to the state. Furthermore, the 1982 law exempted self-contained housing entirely.

Under the 1982 law, the grounds for eviction were made more stringent, offering nearly zero valid reasons for eviction. A year after the 1982 law, no complaints against tenants were heard unless a landlord provided rent cards to tenants and the details of all tenancies and rents to the rent officer in a manner that complied with all regulations.

The 1982 law also prohibited increases in rents until 6 March 1983. Between 1983 and 1986, rents in the cities rose following inflation and the depreciation of the Cedi. While the rent increases from the 1982 level were large, the new rents were little or no higher when considered in real terms, as wages and rents failed to keep pace with inflation and construction costs.

When PNDC Law 138, 1986 was passed in January 1986, rent controls were once again reinforced. Rental levels were set but were shortly revised upwards by Legislative Instrument 1318 as specified in Table 11.

**Table 11: Rental levels under Legislative Instrument 1318, January 1986**

| Type and size of accommodation | | Recoverable rent per month |
|---|---|---|
| Single room / shared amenities / 12ft x 10ft | Sandcrete | C300 |
| | Landcrete | C250 |
| | Swish | C200 |
| Two rooms / shared amenities / 12ft x 10ft | Sandcrete | C400 |
| | Landcrete | C350 |
| | Swish | C300 |

Source: Malpezzi et al. (1990)

The increases in early 1986 appeared to have satisfied landlords for only six months or so, as late 1986 saw an upward trend in rents especially for new tenants and for self-contained accommodation. While it is likely that many tenants paid the controlled rates, many also were paying several times more the controlled amount as they were willing to pay extra just to maintain their tenancies amid an intensifying housing shortage.

The 1986 law also excluded controls for properties at the top end of the market, by exempting those with rents above C1,000 per month. While this was quite low, only 7% of households paid this amount or more per month in 1986. At this level, half was to be paid as tax by the landlord.

Nevertheless, the 1986 law again prevented landlords from evicting for one year unless it was established by the landlord that the property was reasonably required for personal or business use by the landlord, or for personal use by the landlord's family or employees. Following the 1986 law, there was an increase in evictions by landlords, apparently to make way for family members. 1980 to 1986 demonstrated an increase in the proportion of tenants for which they possessed some ownership rights through their family, signifying a reduction in the share of stock available for rental[86].

After 1986, the incidence of landlords demanding rents in advance began to increase, with cases of landlords demanding from both new and existing tenants for two to four years' monthly rent in advance[87]. These demands for advance payments were usually accompanied by threats of eviction if payments were not made, though the grounds for eviction were often that the room was required for a relative.

After the passing of the law in 1986, no major reforms to the rent control system have taken place.

## Effects of Rent Control

Due to the inflexibility of the system, rents have been kept so low such that a month's rent in the 1980s was roughly equivalent to the price of a loaf of bread[88]. While rents were allowed to be modified upwards every few years, very little effort was placed by the government to relate rents to the general cost of living. Rents lost touch with prices and incomes to such an extent that there was little prospect for landlords to recoup investment after improving their properties, even though they have been allowed to remove tenants. This meant that landlords had very little incentive to reinvest in their properties, as no other incentives existed, such as the removal from rent control.

A housing survey in 1986 reported many renters in Kumasi living in housing that have been allowed to structurally fall into disrepair[89]. However, anecdotal evidence showed that a reduction of maintenance activity in part of the landlord

86 Willis et al. (1990)
87 Ibid.
88 Malpezzi et al. (1990)
89 Ibid.

was somewhat compensated by the tenants' themselves spending resources for maintenance and repairs, perhaps encouraged by their perceived security of tenure as demonstrated by their long average duration of stay. Furthermore, the then-recent practice of receiving rents in advance has provided some capital for repairs. However, the net effect of overall housing quality did not appear to be positive.

The deterioration problem is also compounded by the failure of rental housing stock to keep up with population growth, which is arguably exacerbated by rent controls. In 1960, there was one house for every 20 people, but by 1988, the ratio was one to 32 people[90]. The lack of growth of new housing forced the number of rooms to increase via extensions, but at the expense of overcrowding. With tenants generally badly informed of their rights, they were easy prey. Tenants were unable to resist paying rents that were illegal, and latrines and kitchens were let as living rooms, consequently increasing occupancy rates. The space that a daily paid worker could afford was so restricted that his household was deprived of any "moral decency, comfort and health"[91]. From 1960 to 1980, the number of persons per room rose from 2.6 persons to 3.3 persons. With the multi-ownership of family houses, a free-rider problem arises, where owners in common have little incentive to invest in the maintenance of common property.

Adding to this housing quality problem is the distinction of whether a premise is 'self-contained'. In a number of previous legislations, including the latest, this distinction has determined whether a premise is exempted from rent control[92]. These 'self-contained' premises are houses which are occupied by only one household with exclusive use of amenities such as kitchens and bathrooms. Since 1982, these self-contained premises have been exempted from rent controls. However, among non-self-contained premises habited by more than one household, rent controls have made no distinction between houses with or without shared amenities. To be exempted from rent control, rooms must be transformed to be 'self-contained', so that each household has exclusive use of such amenities. Thus, landlords have had little incentive to fit such amenities if they were not committed to perform a full conversion to a self-contained premise, which is necessary to increase rents.

90 Ibid.
91 Tipple (1988)
92 Self-contained premises were excluded entirely in the 1973 legislation. In 1979, only certain self-contained premises were exempted, but since 1982, all self-contained premises were excluded entirely.

Ultimately, it is argued that although renters in Kumasi have benefited from lowered rents, housing conditions for them have actually worsened[93]. From an economic point of view, the adopted system is inefficient as the costs imposed by rent control on landlords are not entirely captured as benefits by tenants[94]. The largest net benefits are captured by poorer tenants while those richer suffer the most from consuming less than their equilibrium demand. Thus, rent control imposes a welfare cost that is greater than the overall benefit for the tenants. It is clear that rent controls could do no good in the case of Kumasi, especially with no increase in the stock of rental housing.

93 Malpezzi et al. (1990)
94 Willis et al. (1990)

APPENDIX 3

# GREATER LONDON AUTHORITY (GLA) REGENERATION INITIATIVE

Under the purview of the Mayor of London, urban regeneration efforts have been pursued by the GLA through bottom-up and project-based initiatives. The Mayor, along with the London Enterprise Panel (LEP), are responsible for managing funds in schemes that aim to help local authorities, communities and business groups to bring economic and social improvements across London. To date, four major funds have been established, namely, the London Regeneration Fund (LRF), Mayor's Regeneration Fund (MRF), High Street Fund (HSF) and Outer London Fund (OLF). These funds strive to revitalize and improve London's high streets, places of work, public spaces, skills and connectivity, all of which are essential economic elements of the city[95].

While all the regeneration funds ultimately work towards this common objective, the individual projects vary in their respective approaches and target audience. For instance, many projects under the various funds aim to help local businesses grow and adapt to change, while also encourage the births of new start-up businesses. Others set out to bring physical improvements to public spaces, buildings and infrastructure to enhance connectivity, and create a more attractive and conducive environment for human activities. There are also projects that strive for social development, such as promoting local identity, as well as providing training and education to improve people's employability and productivity.

Thus far, a wide range of projects has been introduced under each fund. The MRF, which has the highest allocation at GBP70 million, mainly concentrates on large scale regeneration efforts[96]. Tottenham, an area that has suffered from the aftermath of 2011 riots, is receiving a huge makeover supported by this fund. Strategies ranging from new public spaces and housing to improved transport capacity and connectivity are being introduced to reinject vitality to the area, in the hope of transforming it into an attractive place to live, work and invest in[97].

On the other hand, the OLF, a fund of GBP50 million, places emphasis on improving the visual quality of town centres and public spaces across outer London[98]. Under the fund, Hounslow is receiving help in improving its town centre to attract more visitors and increase trade, capitalising on its proximity to Heathrow airport[99].

95 Greater London Authority (n.d.i)
96 Greater London Authority (n.d.e)
97 Greater London Authority (n.d.h)
98 Greater London Authority (n.d.b)
99 Greater London Authority (n.d.g)

One pilot project, in particular, seeks to improve the shopfronts of four businesses to act as prototypes for the rest of Hounslow's town centre. These units were chosen because of their architectural significance and potential to have a greater impact collectively[100].

Apart from that, the LRF, consisting of GBP20 million, encourages the development of the city's talent in creativity and innovation, largely focusing its efforts on animating London's places of work[101]. As such, many of its projects are designed to provide affordable workspace to support creative businesses. One project in Hackney, for instance, intends to convert a vacant heritage building into a low-cost studio space, specifically for artists[102].

Lastly, the HSF, as the name suggests, supports projects that bring about improvements to various aspects of high streets. With GBP9 million allocated, one of the beneficiaries of this fund is Roehampton high street in Wandsworth[103]. The project seeks to increase the vibrancy and uniqueness of the street by promoting a series of outdoor, cultural events. These are expected to boost local businesses through increased footprints along the street.

Evidently, each fund is unique and targets to generate distinct reformation, but there are two overarching principles that govern the selection of project proposals across all funds. In its Funding Bid Guide, the GLA expresses its emphasis on localities and places—the potential of a project to address specific issues facing a place or an industry, and to create or preserve its local identity. In other words, high value is placed on developing the sense of identity, clear function and characters of a place[104]. Additionally, the sustainability of impact is also of concern. The regeneration effort does not intend to merely provide a quick fix, but to encourage ideas with lasting impacts. The funds intend to tap into the pool of existing potentials of an area by generating further investment that will birth perpetual changes[105].

[100] Ibid.
[101] Greater London Authority (n.d.d)
[102] Greater London Authority (2016)
[103] Greater London Authority (n.d.c)
[104] Greater London Authority (2015)
[105] Ibid.

In order to inform future funding decision-making, the regeneration team is committed to engage in research, covering topics such as high streets, employment land, workspace and many more[106]. Project reviews are also conducted in collaboration with the Mayor's Design Advisory Group (MDAG), the Mayor's Planning Team, Urban Design London and Transport for London, according to the nature of projects[107]. While it will definitely take years before the economic implications of all projects materialize, initial evaluation of the finished OLF to date did exhibit a range of returns from investment. The improved vibrancy in town centres, creation of new local momentum, as well as growing local engagement and ability to deliver are among the evidences that show that a well planned regeneration initiative can indeed generate desirable transformation[108].

[106] Greater London Authority (n.d.a)
[107] Greater London Authority (n.d.f)
[108] Paddock (2016)

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