

REAHOLA HOUSING ASSOCIATION - 1998

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1. **ESTABLISHMENT:**
Reahola Housing Association was established in 1998 through an Agreement between Freegold Mine and the NUM. Its Directors were appointed from NUM, Freegold and Community Representatives.
2. **OBJECTIVE**
The Key objective was to convert the mine single-sex hostels into family accommodation in a bid to implement the mine social plan and the Chamber of mines resolutions on improving Housing accommodation for mineworkers. Reahola Housing Complex was a pilot project.
3. **LEGAL STATUS**
The company is registered as a Section 21 Company with the Registrar of Companies meaning it is a Non-Profit Company.
4. **TARGET MARKET**
The target market for the Housing scheme was 60% allocation for mineworkers and 40% for the broader community.
5. **ACQUISITION OF PROPERTY**
The Western Holding No.7 was bought from Free Gold Mine for about R800 000.00
6. **PROJECT DEVELOPER**
The Project Developer was Group 7 which encompasses Hatton, LGV and Group 5.
7. **PROJECT DEVELOPMENT**
The property was divided into two stands with a total of four hundred and five flats of four different types and sizes. The total project cost was R11 million.
8. **FINANCING MODEL**
Reahola Housing Association sourced an interest free financial loan of Three Million Rand. The Provincial Housing Board allocated Institutional Subsidies at R15 000.00 per subsidy to the tune of more than Seven Million Rand to kick start the Hostel conversion project. The subsidy amount National Housing Finance Corporation [NHFC] would provide end-user finance to the clients.

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9. **TENURE MODE**
Sale of a Sectional Title Scheme on an installment basis for 60 installments after which the unit is transferred to the purchaser. It was the Provincial Housing Board Policy that where subsidies are allocated the scheme must be for ownership of the beneficiary.
10. **OCCUPANCY**
At least 75% of the prospective clients had to be qualifying Housing subsidy beneficiaries in order for the Institutional Housing subsidy to be passed on to the client. Clients had to be subjected to credit check and affordability test. An Installment Sale Agreement would be signed by the client together with a Subsidy Application Form and the end-user finance application form. An up-front occupancy deposit is paid.
11. **SUBSIDY TERMS AND CONDITIONS**
The subsidy allocation to the qualifying beneficiary is done on condition that if the client cancels the Installment Sale Agreement before completing 48 months on the property he/she can still apply for subsidy for a housing scheme elsewhere. But if the client cancels the deed of sale after completing 48 months on the property he/she will not qualify for Government subsidy in future as the subsidy will be registered and reflecting in the Housing Department's database in Bloemfontein.
12. **UNIT PRICE STRUCTURE**
The prices of the units varied according to their sizes the smallest costing R26,000.00. For a qualifying subsidy beneficiary a subsidy amount of R15,000.00 would be credited into his account and he would be liable for the balance of R11,000.00 payable in 60 installments. A person who does not qualify for the subsidy would be liable for the full price.
13. **INSTALLMENT PAYMENT**
Installments are paid on monthly basis with a levy amount as determined from time to time of direct bank deposits.
14. **MUNICIPAL SERVICES**
Matjhabeng Local Municipality installed two water bulk meters to regulate the consumption of water and the account is on the name of Reahola Housing Association and not individual tenants. Reahola charges a fixed monthly levy from the tenants to service this account. Electricity is prepaid system in the names of individual tenants.

15. LEVY PAYMENT

Like in other town houses, Reahola charges its tenants a levy amount for the performance of the following functions:-

- Maintenance of water and electricity network
- Payment of municipal account
- Maintenance of the gardens *
- Structural maintenance of the building *
- Insurance *
- General Administration

Even when the transfer of the units to the purchasers has taken place and Reahola Housing Association is no longer involved the levy will be charge and will be administered by a structure called 'Body Corporate' in terms of the Sectional Title Act.

16. REAHOLA DEBTS

- AngloGold - the AngloGold [formerly known as Freegold] loan of R3 Million was written off when AngloGold sold its assets to Harmony.
- NHFC - the NHFC stopped financing the project when the clients embarked on a nonpayment campaign around 2002. The loans already allocated to clients were paid back fully and the tenants were evicted.
- Group 7 - their account is fully settled.
- Matjhabeng - the municipal account is in huge arrears of about R3 million accrued mainly due to non-payment by the tenants who were evicted in a mass eviction about 7 years ago.

17. TRANSPORTATION PROBLEMS

- Sectional Title Register:
The first clients started to complete their installments and make final settlements around about 2007. The conveyancer John Andrews who handled the legal matters of the company from its inception was instructed to handle the transportation of the sectional title units to the purchasers. Only then it was discovered that for no apparent reasons the save negligence on the part of the lawyer.
- Clearance Certificates:
As stated above the municipal arrear account is in the region of R3 million in respect of property rates and service on the two stands and both accounts are charged to Reahola Housing Association and not individual units on the project. To procure a clearance certificate in order to transfer the units of those who have paid their accounts in full Reahola Housing Association has to pay the stated amount in full. Bear in mind that it is few number of people on each stand who have settled their accounts meaning that if the company were to get funds to procure the clearance certificate very few

units would be effectively transferred and the risk is by the time the rest of client finish new arrears would have been accrued and to effect the transfers those arrears would have to be cleared.

Harmony mine are willing to assist Reahola with its municipal account and is in negotiations with the Municipality.

18. CHANGE IN TENURE MODE

With the advent of the Social Housing Foundation [SHF] which introduced various government approved tenure modes the restriction on 'sale only' in Reahola Housing Complex was relaxed. Reahola Housing Association opened up for rentals. It also encouraged those who had paid up their units who wish to move out of Reahola Complex to sell their units back to the company. These steps help the company to have a breathing space to attend to the transportation problems mentioned above and to improve its cash-flow.

19. KEY CHALLENGES

- Housing Subsidy beneficiaries whose sale contracts are cancelled after completing 48 months tenure may not receive another subsidy elsewhere.
- It is alleged that some clients whose units are paid up are evicted for non-payment of levy which mainly municipal account. The legality of that action is doubted.
- Opening of the Sectional Title Register.
- Procurement of the Clearance Certificate