CLARIFICATIONS ON THE IMPLEMENTATION OF THE TSHOLOFELO 372 HOUSING PROJECT

Botswana Housing Corporation (BHC) has been inundated with queries pertaining to whether the Tsholofelo 372 housing development project was a youth development programme.

1. BHC has over the years offered a variety of housing schemes intended to facilitate access to housing, be it rental or sale. The sales models came through; outright sale, Tenant Purchase Scheme (TPS) and Step Ownership Scheme (SOS).

2. The TPS and SOS were designed such that purchasers would pay their term purchase through instalments directly to the Corporation as opposed to securing loans from Mortgage lenders.

3. These schemes contributed significantly to many Batswana being able to secure home ownership, who otherwise would not have qualified for a mortgage loan with the banks. Over time, and with a good credit record from BHC most of the TPS and SOS customers raised mortgages directly with banks and paid off their dues to BHC.

4. There was a realization that there were some other Batswana who could not participate in a typical BHC low income housing development and yet overqualified to participate in the SHHA scheme because their income levels were above the scheme threshold. In 2009, the Corporation considered introducing the Instalment Purchase Scheme (IPS), a housing scheme that was intended to bridge the gap between the SHHA income market and the BHC Low income market.

5. It is important to emphasize that this scheme was not specific for the youth, but for Batswana low income earners with salaries between P5,325.00 and P14,000.00 per month.

6. The Tsholofelo 372 housing development was conceived and developed as part of the initial 750 housing project under the IPS for all Batswana aged between 18 and 65 years with a monthly income between P5,325.00 and P14,000.00.

7. After consultation with the Government, it was deliberately decided to reserve one third of the units, that is a total of 250 out of 750 units, for purchase by the Youth. The youth reservation was meant to grant them access to purchase housing instead of them competing directly with other Batswana.

8. On further consultation, the Government directed that on completion of the project, the units be sold outright as opposed to paying through instalments, with a view to using the money from the sales to roll out more units over a short period of time to accommodate more Batswana going forward.

9. The Tsholofelo 372 project was offered at a price of P440,160 (VAT Inclusive). These units are two bedroomed with a lounge, kitchen and bathroom cum toilet clustered in three storey blocks of twelve each. The price was such that BHC would able to recover the cost of construction including utilities, the interest charged on the borrowed money and management fees. Furthermore, these costs were spread across all the units to effectively spread the base for cost recovery and create affordable pricing.

10. The capacity of the targeted group (including the youth) to access funding from the different financiers was tested when the units were first made available for sale to the public in October 2019. Out of a total of **850** applications received for the 372 units, **595** or **70%** of these came from the youth, which indicated that the targeted group could afford the set price of the units.

11. By March 30th 2020, **222** units were sold with **161 (72.5%)** taken up by the Youth. The commercial banks took a keen interest in financing this development, which has greatly assisted prospective buyers, especially the youth.

12. In consideration of these developments, the Corporation is of the view that the price of the units is relevant to the market and indeed the youth. The Youth has participated effectively by partaking at a proportion **(72.5%)** much higher than

their **33%** reservation. It must also be borne in mind that most mortgage lenders gave 100% credit on this project which banks only do when the purchase price is lower or equal to the market (usually forced sale market).

13. Thank you.