

Housing for all: Reforms can make it happen sooner

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CREDAI





Introduction

Housing for All by 2022 as a policy of the Government is by itself an invitation to a new discourse on Housing. Unlike anything that has gone before, the Government for the first time has set up a task which is definite in terms of scope and timeline. At another level, taken along with Clean India campaign and the Smart Cities project, the Government policy in its totality involves a shift from a situation where urbanization was marginal to policy to one where urbanisation is recognized as a feature of modernity and a desirable end in itself. At the macro-level, with share of agriculture declining and that of manufacturing and service rising, the rising population in developing countries can only be supported by movement into cities. On the other hand, at the individual level there could be diversity of factors such as attraction of cities, better standard of living, better educational facilities, medical facilities, need for status, etc. In India, not only cities are growing in number but there is also a urban rural transformation being observed in areas where India has experienced many changes in recent past, including adoption of modern technology and modern transport, enhanced communication with increasing use of internet and mobile phones, growth of financial infrastructures, etc.

The need to recognize urbanism arises out of its sheer magnitude. The population of India stood at 1.2 billion in 2011, growing by 180 million over a decade since 2001¹. The urban population grew more than the rural population, for the first time in Indian history. The rate of rural population growth has even plummeted in many Indian states¹. The transition of rural areas to urban centres is evident from the fact that more than 2,500 settlements that were previously defined as villages have been reclassified as towns as per the latest 2011 census¹.

The country's urban population has grown at a compound annual growth rate (CAGR) of 2.8% over 2001-11, resulting in an increase in the urbanisation rate from 27.8% to 31.2%¹. Of India's population of 1.21 billion, 377 million people are urban dwellers¹. And with more than 10 million people being added to urban areas every year, India's urban population is expected to reach about 810 million by 2050. Furthermore, over 2012-50, the pace of urbanisation is likely to increase at a CAGR of 2.1% - double that of China³. Housing shortage is related to urbanisation. The housing shortage in India has touched 18.78 million units. Often emphasis is laid on, 95% of the shortage⁵ being in the economically weaker section (EWS) and low income group (LIG). However, there are other, 56% of households in urban

India now have four or less members¹. This is a marked change from 10 years ago, when the median household size in urban India was between four and five members. As the median household size falls, it entails an implicit shortage of housing that is more widespread than that of only EWS and LIG.

While it is true to say that affordable and low cost housing would play an important role in accommodating high rate of urban growth in India while providing acceptable standard of living, how we define affordable and low cost remains to be seen. For defining the EWS and LIG category, the maximum Household Income are recommended to be INR 8,000 and INR 16,000 per month and since many households in this category do not have regular monthly income, an annual income of INR 100,000 for EWS and INR 200,000 for LIG households is also being used⁴.

It needs to be recognised that there is a huge gap between housing supply and demand even in non-EWS and non-LIG segments though the restriction being placed on the housing choices by shortage is not always visible. In general, the supply side constraints for low cost and affordable housing include lack of availability of land and finance at reasonable rates, and the demand drivers include the growing middle class and urbanisation. Real estate developers, private players in particular, have not been allowed to play their part in affordable and low cost housing owing to the high cost of land and finances forcing them to primarily target luxury, high-end and upper-mid housing segments. However, housing itself is also generically faced with several structural issues, such as the high gestation period of housing projects, limited and expensive capital, taxes as well as unfavourable development norms.

In this context, the Government of India acknowledging the importance of the housing issue in the country, launched a mammoth goal that promises to provide housing for all its citizens by 2022. EWS/ LIG households (in both rural and urban areas), and the urban affordable housing segment that need renewed focus of central and state governments, as this segment may require almost half of the total investment envisaged. However, any initiative would need to recognize that the task is capable of being realized only in the framework of public-private partnership. It is the scope of this partnership that this paper aims to explore and outline.

¹Census of India, 2011

²World Urbanisation Prospects: The 2014 Revision, United Nations, Department of Economic and Social Affairs, Population Division (2014), July 2014

³Opportunities in an Urbanizing World, Credit Suisse, April 2012

⁴Report by Task Force on Promoting Affordable Housing, Ministry of Housing and Urban Poverty Alleviation, 2012

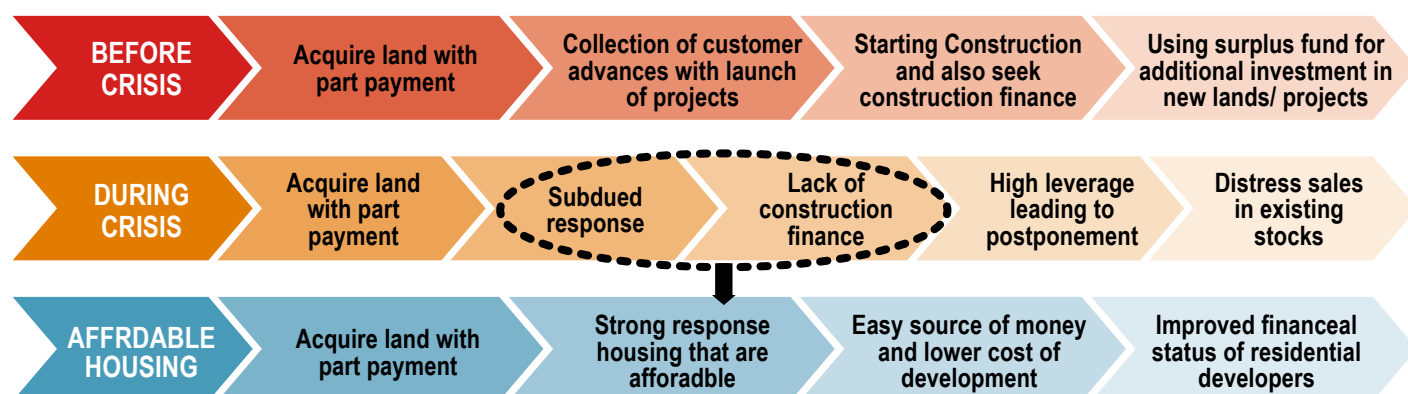
⁵The Report on Trend and Progress of Housing in India - 2013, NHB

Emergence of Affordable Housing - Changing Business Model

In India housing and indeed all affordable housing has been the exclusive preserve of public sector entities such as Housing Boards or Development Authorities. Private sector real estate developers have been historically precluded from affordable housing both structurally and at the level of policy. One major trend that can be witnessed at least since the global liquidity crisis of 2008 - 2009 in India is that private sector developers are willing to assume risks and put their entrepreneurial talent at stake on the affordable housing segment. Since 2009, real estate developers in the country have launched many projects in the affordable segment across Indian cities. XRBIA, VBHC, Provident Housing, etc. have carved a niche for themselves in this sector.



Factors leading to emergence of Affordable Housing



Source: JLL Research & REIS

Definition of Affordable Housing

There is no clear-cut definition of the term “affordable”, as it is a relative concept. Even, “affordability” as a concept is very generic and could have different meanings for different people of different income levels.

The Reserve Bank of India (RBI) had tweaked the affordable housing definition in July 2014. According to RBI the cost of a house now could be INR 6.5 million and INR 5.0 million in the metros⁶ and non-metros, respectively, to be qualified as affordable housing. The RBI also said that it will periodically review the definition of affordable housing, on account of inflation.

Another important facet of the affordable housing definition is that all of them talks about a universal definition across the vast country of India. The country does not only have urban areas of different stature, but also the income levels are different across the country. While the purchasing power parity (PPP) gross domestic product (GDP) of Mumbai was USD 209 billion, the same for Chennai and Pune was USD 66 billion and USD 48 billion respectively⁷. Even the prominent developer in Indian affordable housing context, Tata Value Homes

now offers units under INR 2.5 million in Ahmedabad and within the range of INR 2.5-4.5 million in Chennai and Bangalore, while they have no offering in Mumbai in such range. And hence, a country level definition could be attempted while the cost of living varies much across regions and cities only if some of the costly cities are provided with speciality treatment for affordability.

Suggestive Definition of Affordable Housing

While most definitions for affordable housing consider area, price and affordability of the occupier, the key idea as per our understanding should deal with the minimum size (volume) of the habitable units, provision of basic amenities, cost and location of the house.

Innovations in Affordable Housing

The relationship between income and affordability for various income groups follows a nonlinear trend. Disposable surplus income, which is often used to purchase a new house, drops significantly at lower-income levels and is higher at higher-income levels. Thus, people of higher-income levels can better afford to purchase new houses, owing to higher disposable surplus incomes.

Definition of Affordable Housing- MHUPA 2012

Income Categories	Size	Income Criteria	Affordability
EWS	<ul style="list-style-type: none">21-27 sqm of carpet areaEWS maximum area could be between 25.2 and 30.8 sqm if subsidies are tied to them	The maximum Household Income for the EWS and LIG category are recommended to be INR 8,000 and INR 16,000 per month and since many households in this category do not have regular monthly income an annual income of INR 100,000 for EWS and INR 200,000/- for LIG households could also be used	The Task Force recommends that the desirable goal of a house price to income multiple that should be pursued for Affordable Housing projects should be 5
LIG	<ul style="list-style-type: none">28-40 sqm of carpet areamaximum area for LIG could be between 36.9 and 45.1 sqm if subsidies are tied to them		
MIG	<ul style="list-style-type: none">41-60 sqm of carpet area		

Source: Task force on Promoting Affordable Housing, MHUPA, 2012

Suggestive definition of affordable housing

	Minimum Volume of Habitation	Provision of Basic Amenities	Cost of the House	Location of the House
EWS	<ul style="list-style-type: none">250 sq ft carpet area2,250 cu ft internal volume	<ul style="list-style-type: none">sanitation, adequate water supply and powerprovision of community spaces and amenities such as parks, schools and healthcare facilities, either within the project or in the neighbourhood, depending upon the size and location of the housing project	<ul style="list-style-type: none">cost of the house such that EMI does not exceed 30-40% of net monthly income of the buyerreasonable maintenance costs	<ul style="list-style-type: none">located within 20 km of a major workplace hub (could be suburban hubs as well) in the cityadequately connected to major public
LIG	<ul style="list-style-type: none">300-600 sq ft carpet area2,700-5,400 cu ft internal volume			
MIG	<ul style="list-style-type: none">600-1,200 sq ft carpet area5,400-10,800 cu ft internal volume			

Source: JLL Research and REIS

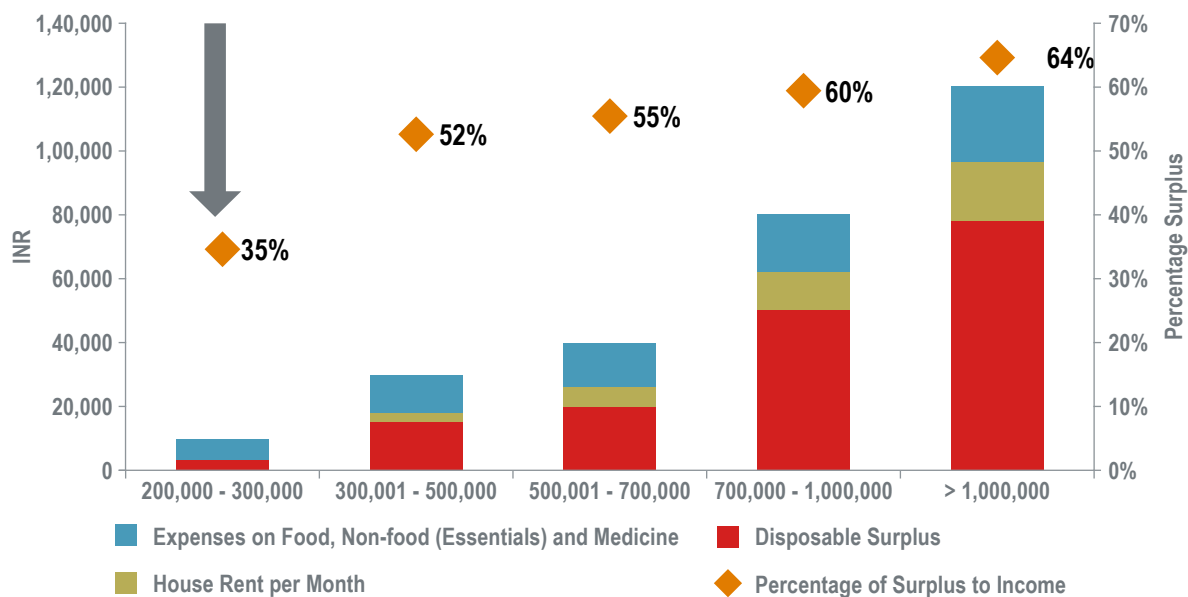
⁶There are six metros in the country: Mumbai, Chennai, Kolkata, Delhi, Hyderabad and Bangalore

⁷Yahoo Finance Study, 2011

Income Levels and Housing Affordability

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Disposable income for house purchase for various income groups



Source: JLL Research and REIS

Issues in the Development of Affordable Housing

Developing affordable housing in Indian cities faces significant challenges due to several economic, regulatory and urban issues. Whilst the lack of availability of urban land, rising construction costs and regulatory issues are supply-side constraints, lack of access to home finance is a serious demand-side constraint, which impacts the ability of low-income groups to buy housing. Although some of these are gradually being mitigated, efforts are required by multiple institutions to facilitate mass development in this sector.

Lack of Availability of Urban Land

With high population density, there exists a huge demand for land in urban India. The real shortage has been further increased artificially by poorly conceived central, state and municipal regulations. As a result, land prices in India are much higher than intrinsic levels that can support mass real estate developments.

Rising Threshold Costs of Construction

While price of premium residential projects are largely guided by land costs, construction costs have a significant share in the price of affordable housing. This is due to the fact that while land prices fall exponentially from city centre to peripheral locations of the city, construction costs generally follow a gradual trend from premium luxury, mid-income to low-income housing.

Affordable housing projects get more affected by rising costs of construction than premium projects. Hence, it becomes important that costs are minimised for construction of low-income housing whilst balancing the amenities provided as well as ensuring the safety and serviceability of the built structure during its lifecycle. During the past decade, construction costs have significantly increased by nearly 80–100% due to the appreciation in prices of construction materials such as steel, cement and sand. Shortage of labour has also resulted in a rapid increase in wages.

Regulatory Constraints

There are severe regulatory constraints to real estate development in Indian cities, which range from lengthy approval processes to lack of clarity in urban planning.

Excessive Control on Development of Land Creates Artificial Shortage

Excessively controlling the volume of construction in centrally located areas and by making land recycling difficult, some regulations tend to push urban development towards the periphery. This has resulted in longer commuting trips, with public transport becoming difficult to operate and unnecessary extension of urban infrastructure. Strict regulations, when not implemented correctly, lead to rampant corruption as there are multiple stakeholders.

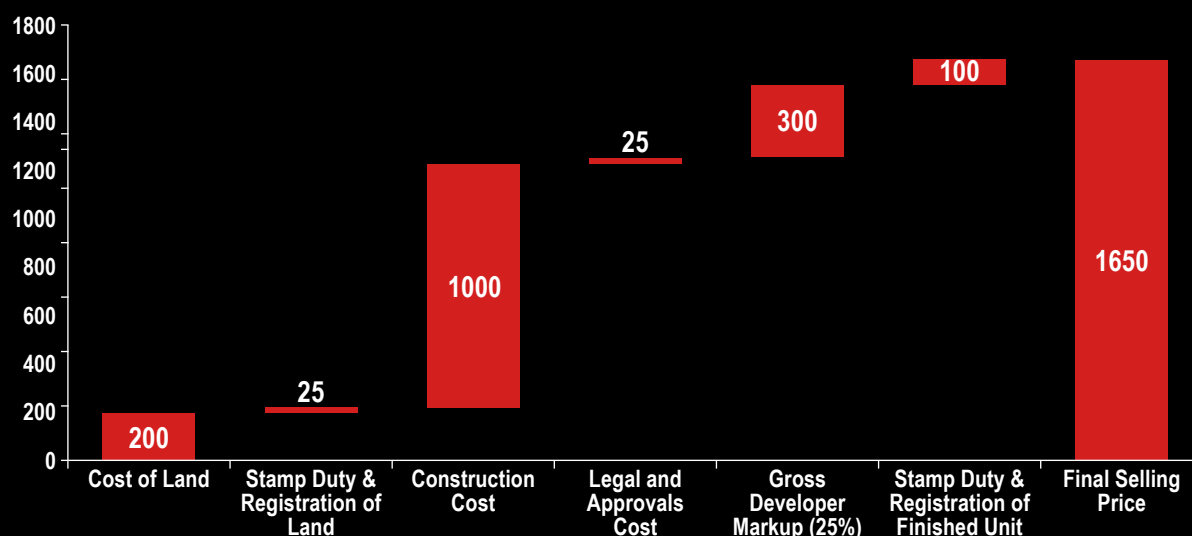
Lack of Marketable Land Parcels

Government authorities or state-owned entities such as railways and ports own large tracts of urban land, which are nonmarketable, and these results in their inefficient use, which is incompatible with its real market value. Most of these land parcels are located in central areas, and they have high value for compatible uses today. These areas also provide for proliferation of slums and squatter settlements.

Titling Issues and Lack of Information

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Estimated construction costs for affordable housing



Cost Estimate

Source: JLL Research & REIS

Note: The model does not assume the capital structure of funds being used for development. And depending on the capital structure, a component of debt servicing will be added to Final Sell Price

Lengthy Approval and Land Use Conversion Process

Real estate development is affected by the efficiency of urban local bodies.

Projects in Indian cities have to undergo lengthy approval process, resulting in delay in projects, eventually escalating construction costs. To obtain a plan sanction for a project, the developer has to visit nearly 40 departments starting from central (environment, airport authority etc.), state governments (revenue, fire, high rise, environment etc.) and local bodies (water, sewage, traffic etc.). Direct impact due to cost of finance itself is up to 10– 25 % of sale price.



Lack of Clarity in Building Bylaws and Guidelines

The building bylaws and rules for Floor Space Index (FSI), zoning and development plans formulated by the Urban Local Bodies (ULBs) and Urban Development Departments (UDDs) in India lack clarity and have several overlapping guidelines for real estate development. This makes planning for construction projects difficult, as acquisition of land parcels are done with a long-term view, and regulations sometimes get modified drastically when implementation of project begins.



Continuation of Archaic Laws

Several archaic laws such as the Rent Control Act have been detrimental to the urban fabric resulting in the decay of housing stock, particularly in Mumbai. It hampers redevelopment of areas with old properties and leads to further increase in shortage due to obsolescence and congestion. Despite these issues, both government as well as private players are increasingly exploring the development of housing for low-income groups in Indian cities. In the following sections of the whitepaper, we shall discuss the efforts of the government and private developers to improve supply in this segment



Source: World Bank

Policies and Regulations in India

Central Level Schemes

Policies have been increasingly adopted by Central Government to assist in the delivery of affordable housing for the EWS, LIG and lower MIG. The first National Housing Policy was formulated in 1988. It was followed by the formulations of National Housing Policy in 1994, National Housing and Habitat Policy (NHHP) in 1998 and follow-up of 74th Constitution Amendment of 1992. These policy initiatives focused on transition of public sector role as 'facilitator', increased role of the private sector, decentralization, development of fiscal incentives, accelerated flow of housing finance and promotion of environment-friendly, cost-effective and pro-poor technology. The NHHP introduced landmark initiatives such as involvement of multiple stakeholders, repeal of Urban Land Ceiling Act and permitting foreign direct investment in housing and real estate sector. Taking into account the emerging challenges of required shelter and growth of slums, the first policy specific to urban areas, the National Urban Housing and Habitat Policy was announced in December 2007. However, the subject falling under the State List in the Constitution limits the scope of these initiatives from the Central Government.

National Urban Housing and Habitat Policy (NUHHP), 2007

NUHHP 2007 has identified 'Affordable Housing for All' as a key focus area to address concerns that could potentially impede sustainable urban development. The major objectives of the policy are listed below:

- facilitating accessibility to serviced land and housing for EWS and LIG
- land assembly, development and disposal to be encouraged by both private and public sectors
- forging strong partnerships between public, private and cooperative sectors
- creating adequate housing stock both on rental and ownership basis
- using technology to modernise and enhance energy and cost efficiency, productivity and quality

Jawaharlal Nehru National Urban Renewal Mission (JNNURM)

JNNURM was launched in December 2005 with an aim to encourage and expedite urban reforms in India. For the housing sector in particular, its main aim was construction of 1.5 million houses for the urban poor during the mission period (2005-2012) in 65 mission cities.

Basic Services for the Urban Poor (BSUP)

The scheme is managed by the Ministry of Urban Development. It seeks to provide seven entitlements or services - security of tenure, affordable housing, water, sanitation, health, education and social security to low-income segments in the 65 mission cities.

Integrated Housing and Slum Development Programme (IHSDP)

Integrated Housing and Slum Development Programme aims to have an integrated approach in ameliorating the conditions of the urban slum dwellers that do not possess adequate shelter and reside in dilapidated conditions.

Affordable Housing in Partnership (AHIP)

The scheme of Affordable Housing in Partnership aims to promote various types of public-private partnerships amongst the private sector, cooperative sector, financial services sector, state parastatals and urban local bodies, for realizing the goal of affordable housing for all.

Rajiv Awas Yojana

Rajiv Awas Yojana (RAY) for the slum dwellers and the urban poor envisages a 'Slum-free India' by encouraging states and union territories to tackle the problem of slums in a definitive manner. The scope of RAY envisages integrated development of all existing slums, notified or non-notified, with development, improvement and maintenance of basic services to the urban poor, including water supply, sewerage, drainage, solid waste management, approach and internal roads, street lighting, community facilities such as community toilets and baths, informal sector markets and livelihoods centres.

Benchmarking of Existing State and Central Level Policies/Acts

	Affordable Housing Policy, Rajasthan-2009	Scheme for Affordable Urban Housing in Odisha, 2012	Guidelines for Affordable Housing in Partnership by Ministry of Housing & Urban Poverty Alleviation
Policy Goals	Affordable housing for all and integrated habitat development with a view to ensure equitable supply of land, shelter and services at affordable prices in Rajasthan, with special focus on urban poor and excluded groups of society.	The policy is intended at creating an enabling policy environment, which makes it possible to promote affordable housing in a big way with a special focus on housing for the urban poor in line with the Slum Rehabilitation and Development Policy of Odisha.	The Scheme of Affordable Housing in Partnership aims at operationalizing the strategy envisaged in the National Urban Housing & Habitat Policy (NUHHP) 2007, of promoting various types of public-private partnerships - of the government sector with the private sector, the cooperative sector, the financial services sector, the state parastatals, urban local bodies, etc.
Objective	<ul style="list-style-type: none"> To reduce the housing shortage in the State, especially in EWS/LIG categories. To take up large scale construction of Affordable Housing To bring down the cost of EWS & LIG categories of houses to affordable limits. To promote investments in housing in Urban Sector on PPP To involve Private developers in the construction of EWS/LIG categories of houses by offering various attractive incentives. To create Rental Housing as transit accommodation for migrants to urban areas, and To check creation of slums. 	<ul style="list-style-type: none"> To address shortage of EWS, LIG, LMIG and MIG housing in a time bound manner; To prescribe unit cost and size of EWS and LIG housing under the scheme; also for LMIG and MIG; To promote affordable housing through multiple cost reduction measures To provide linkage with slum redevelopment and rehabilitation To create affordable rental housing for migrant workers and other urban poor; To create database of EWS and LIG beneficiaries, To take up an intensive drive to make Odisha slum-free in a time-bound manner 	<ul style="list-style-type: none"> The basic aim of the Scheme is to provide stimulus to economic activities through affordable housing programmes in partnership. Its immediate objective is employment generation to the urban poor, especially construction workers, where adverse impact of current economic downturn is being experienced. The Scheme will also strive to ensure equitable supply of land, shelter and services at affordable prices to all sections of society, and thereby to prevent the growth of slums in urban areas.

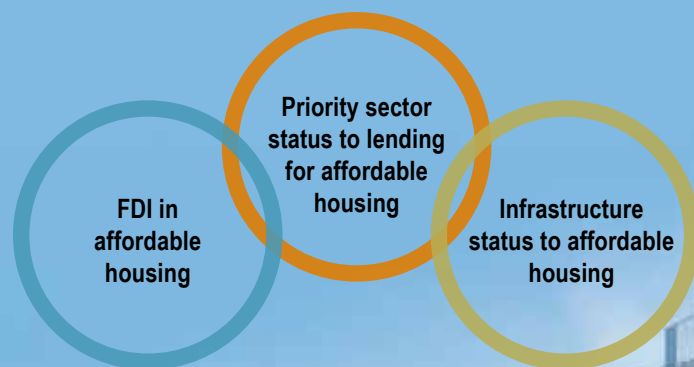
- Private sector participation is preferred.
- Most policies follow a simple two-tier/ three-tier regulatory framework (state level-city level-local level).
- In most of the cases, the development guidelines, eligibility criteria for the beneficiaries and developers, incentives for the beneficiaries and developers are well-explained.
- Emphasis is given on creation of land bank for affordable housing.

- The importance of rental housing, as a part of affordable housing for the low income migrant workers is ignored .
- The issues of land entitlement, and allotment of units are ignored.
- Time factor is not taken into consideration while fixing the selling price of the units.
- The issue of maintaining the work-place relationship is ignored.

Housing for All by Year 2022

According to the new government in the Indian central power, it has a vision to provide housing to all its citizens by the year 2022. The Government would soon roll out **Sardar Patel Urban Housing Mission**, which will ensure 30 million houses by 2022, mostly for the economically weaker sections and low income groups. This Mission is in pursuit of the provision of mammoth housing goal and 30 million houses would be built by 2022, mostly for the economically weaker sections and low income groups, through public-private-partnership, interest subsidy and increased flow of resources to housing sector. An investment of about INR 50 trillion would be required over the next few years for various initiatives like Housing for All (INR 22.5 trillion), urban infrastructure development (INR 16.5 trillion), urban sanitation (INR 620 billion) and building smart cities. We expect that about 85 to 90 per cent of the total investments in Housing for All would be required for developing urban housing, where development costs are high due to factors such as land prices, construction cost, fees, and taxes. Within urban housing, it is the affordable housing (houses for EWS/LIG households) which require attention on priority basis.

And in an attempt to achieve housing for all by 2022, the government is working on a large number of measures such as facilitating faster approvals, introducing self-certification based approvals and the bringing down of interest rates. As well as the government till date has taken many measures for a fruitful vision:





FDI in low-cost housing

The government more than halved the minimum built-up area requirement for FDI in construction to 20,000 sqm from the present 50,000 sqm and eased FDI norms in the construction sector in October 2014. It was earlier promised during the General Budget 2014-15. The relaxation proposal was presented by the Department of Industrial Policy & Promotion (DIPP) to attract more foreign investment in the construction and real estate sector, which has been facing a severe liquidity crunch in the past few years. Although 100% FDI has been allowed in townships, housing and built-up infrastructure and construction developments since 2005, only USD 23.75 billion had flowed into the sector, a relatively small amount compared with some of the other sectors. And while the sector has huge potential for foreign investment, the flow was about 10% of total FDI inflows into the country. Now, projects that commit at least 30% of total cost for affordable housing would be exempt from the minimum built-up area and capitalisation requirements with a minimum three-year lock-in period. However, the easing came with certain riders. The Indian investee company will be permitted to sell only developed plots⁹. Subsequently, projects using at least 60% of the FAR/FSI for dwelling units with a carpet area of not more than 60 sqm will be considered as affordable housing projects.



Interest rate subvention to home buyers and provision of priority sector status to construction loan for affordable housing projects

Interest subvention is one of the best ways to signal increased flow of funds which would reduce the cost of affordable housing. Meanwhile, the central government is likely to increase the amount of loans eligible for interest rate subvention under affordable housing to INR 0.5 million from INR 0.1 million earlier, with the subvention rate being up to five per cent. It is often agreed that the interest rate on housing loans and on loans for construction of housing should not be more than 7-8%. Granting priority sector status to the construction loan for affordable housing is another way to achieve the reduction in rate of interest for home buyers in the affordable segment.



Infrastructure status for affordable housing projects

Affordable housing is a segment of economy that is of critical importance and requires long term funding. The RBI made an announcement in July, 2014, of treating the affordable housing sector as a part of the infrastructure industry and as a result it is expected that policy dispensation available for infrastructure projects could now be extended to Affordable Housing. The key benefits will include ability of insurance company and other long term loans providers to lend to affordable housing Project and income tax benefits available through 80-IA and 80-IB of Income Tax Act. In addition, extending the infrastructure status to affordable housing projects would make it easier for developers to get finance.

In addition, underlining the need for faster approval from government ministries and departments, a housing project on less than 50,000 sqm of land may likely not require any environment clearance. At present, a housing project built on a 20,000-sqm parcel of land does not require it. On 50,000 sqm, 10,000 to 15,000 houses can be built, depending on the allowed floor area ratio (FAR). The government is also considering allowing the self-certification of projects. This would allow a developer to have a project assessed and certified that all the rules and regulations are being followed in the construction of the project and qualified architects would be empowered to certify projects. If any deviation were found at the later stage, strict action against the developer and the architect who verified the project would be taken.

Investment in the construction development sector has a multiplier effect on the economy by way of infrastructure creation, substantial employment generation over the entire spectrum - from unskilled workers to engineers and architects - as well as financial and other supporting services. Further, it creates demand for the products of a number of related industries, including those in the manufacturing sector. Besides, greater investment in the sector would help to augment the available housing stock and built-up infrastructure for different purposes.

Government Approach towards Affordable Housing

As high urbanisation rate, coupled with high rate of migration from rural areas is stressing the limited urban infrastructure; sub-optimal usage of urban land (low FAR/FSI) has resulted in raising the cost per unit of built-up area. In addition, lack of growth in housing development capacity with respect to construction capability, labour availability, construction material, and housing affordability is likely to pave the way for some major considerations for the government to provide an enabling framework for housing development. They considerations likely include:



Effective policy framework for affordable housing, which is already disturbed with rising land cost, spiralling construction costs, and inadequate availability and reach of micro-finance measures



Shortening of gestation period of housing projects that are accentuated by multiple approvals to be obtained from multiple authorities in a two to three year time period



Sourcing adequate long-term funding across the project life cycle



Rationalising of multiple fees and taxes across project stages which inflates construction cost



Reassessing development norms such as low FAR/FSI, density norms, parking norms, and ground coverage

Private Approach towards Affordable Housing

Push factors for private participation

Factors	Overview	Impact
Slow urban development	India's per-capita urban infrastructure spending of about USD17 in India is low against a requirement of USD100 ⁸ .	High urban land prices and shortage of basic services such as housing, water, waste disposal, power and transport.
Lengthy and complex approval	India has one of the most cumbersome and lengthy processes ⁹ .	Increases construction cost with increase in gestation period
Lack of adequate funding sources	<ul style="list-style-type: none"> • Dependence on households' savings • Limited foreign funding sources • Limited access to credit by EWS/LIG. 	<ul style="list-style-type: none"> • Limited and expensive capital tend to increase housing cost • Low access to credit by consumers
High cost of development	<ul style="list-style-type: none"> • Consistent inflation of key input costs • Several indirect taxes 	Increases housing cost making affordable housing projects unviable.
Restrictive development norms	Low FAR/FSI, density norms, ground coverage, parking provision, etc. are not separately defined for affordable housing	The limited urban land is utilised inappropriately inflating housing price.

Pull factors for private participation

As a result, it deems necessity to involve private sector partnership in the development of affordable housing as the level of urbanization and development in real estate sector in India is progressing rapidly. And the housing sector cannot grow without infrastructure development as well as access to low-cost funds. And while the cost of capital and credit risk is increasing along with rising inventories, there should be other financial options available for affordable and innovative housing providers, individuals and community borrowers. In addition, external commercial borrowings (ECB) to the private sectors for building affordable housing projects could be extended, as arranging finance is the major problem faced by stakeholders because of financial crises and un-availability of long-term and cheap loans. Allowing such facilities will encourage private participation.

Vast economies of scale lead to significant lowering of the costs of development for low-income housing

Improvement in infrastructural connectivity to far-flung locations is increasing their acceptability as residential destinations. Developers want to tap before land prices appreciate such levels that do not support low income housing

Emergence of microfinance institutions focused on low-income housing has helped in improving buyer's access to housing finance

⁸12th 5 year Plan, 2012-17, Planning Commission, Government of India

⁹'Doing business 2013', World Bank

Major Hubs of Affordable Housing Development

During 2010-2014, real estate developers have launched projects in the affordable segment across Indian cities, with units priced between INR 0.5-2 million. Several of these projects have been sold on an application model due to huge demand, with multiple takers for the same unit.

Location of Projects and their Distance from City Centre

With high prices of land within the city, the low-income housing projects are being developed at 'leapfrogged locations', which offer land parcels at suitable price points for such developments. Leapfrogging is a real estate phenomenon, in which high prices of intermediate land parcels lead to development of far-flung areas before immediate periphery is developed. Whilst leapfrogging leads to cost-effective developments, they might lack development of adequate physical and social infrastructure.

Depending on the decay of land prices, cities offer parcels for such developments at different distances from the city centre. Mumbai and NCR- Delhi have the modern affordable housing projects located 55–135 km away from the city centre. On the other hand, Hyderabad provides better proximity, with projects located at a distance of 15-20 km from the city centre. Bangalore, Pune, Kolkata and Chennai also have projects after a distance of 20-45 km from the city centre.

Most of the Indian metropolitan cities have expanded on a multiple nuclei model, in which satellite towns have been developed, which acts as secondary nodes to the city. Most of these newer locations being explored by developers of housing for low-income groups are at reasonable distances from these nodes and are attractive options for people employed in these suburban commercial nodes. Some of them are in close proximity to industrial nodes as well, which generates demand for such housing projects. Hence, although their distances from the city centres initially seem large, these projects are still suitable for several people employed in industries or offices located near these areas.

Mumbai has led the sector, with over 20 projects targeting this segment. Karjat, Vasind, Palghar and Boisar in Mumbai along with Chakanand, Shikrapur in Pune have multiple ongoing projects catering to low-income groups. Anekal Road in Bangalore, which is around 9-10 km away from Electronic City, has one project by Value and Budget Housing Corporation (VBHC) and Janaadhar each.

While many of the end-users have realised their dream of home ownership, on the flipside, the travel time required to reach places of work from affordable housing projects is getting troublesome. Therefore, a concerted effort is required by the government to reduce the productivity loss and to facilitate mass development in this sector. This includes forcing the development of affordable housing by reserving land closer to commercial and industrial hubs exclusively for affordable housing. Bylaws for such projects should be changed in terms of providing higher Floor Space Indexes (FSI), subsidies, tax benefits and planning support. On the other hand, the demand-side subsidies include housing loans being made available at low interest rates to the lower income sections of society.

Major Developers in the Segment

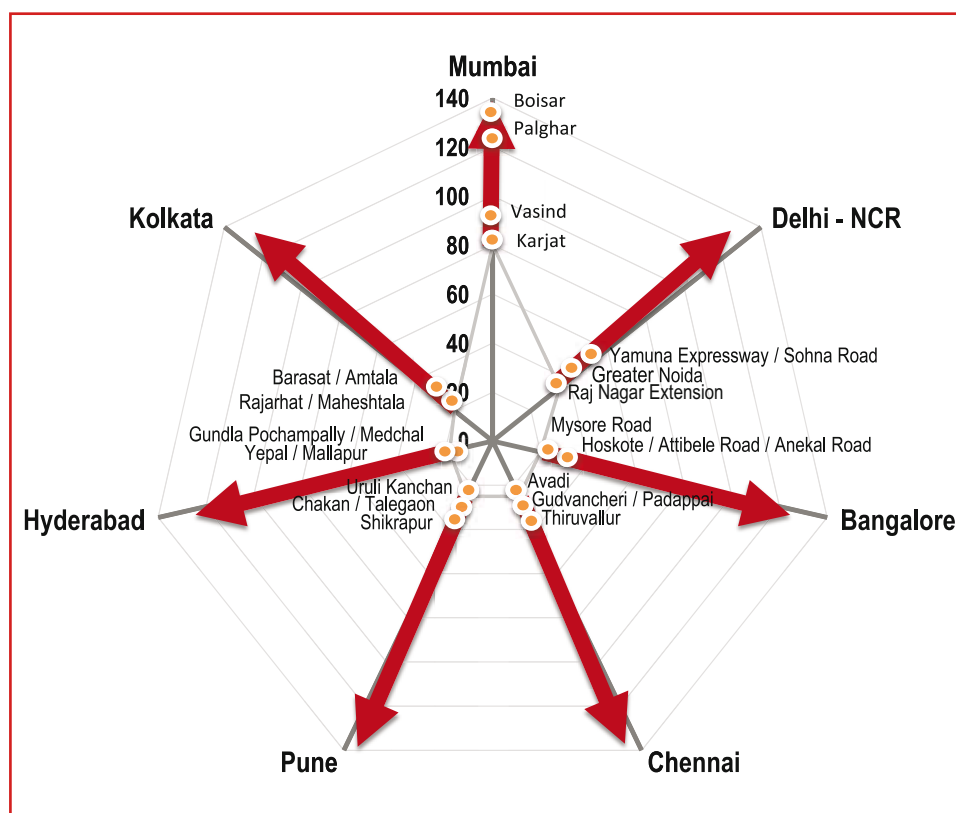
Amongst the developers, Xrbia Developers, Tata Housing (Shubh Griha) and VBHC are entirely focused on innovative affordable homes and have already launched multiple projects across cities, with announcements for large expansion into new cities and locations. Housing Development and Infrastructure Limited (HDIL) and Usha Breco Realty, both experimented the format with their projects successfully in Palghar and Boisar. Xrbia Developers has launched multiple projects at Eastern Mumbai District (EMD), an upcoming destination in the outskirts of Mumbai. Other notable developers that have announced future developments targeting this segment are Mahindra Lifespaces, TVS Housing and S Raheja.

Typical Affordable Housing Project

Developers have successfully executed affordable housing projects of nearly 15-35 acres having 1,500-3,500 units at locations beyond 20-25 km from the city centre. To reduce costs and improve affordability for the buyer, developers have adopted several measures:

- **Limited options** - units offered are mostly 1-RK and 1-BHK, with some 2-BHK.
- **Smaller areas** - units have smaller saleable areas of 250350 sq ft for 1-RK and 400500 sq ft for 1-BHK.
- **Low construction cost** - structure is typically low-rise with G+2, G+3 or G+4 floors, without lift.
- **Shorter period of construction** - the low-rise structure and adoption of technologies such as aluminium formwork and building information modelling enables developers to complete the project within a short period of 1824 months, thus decreasing the collection time and improve returns.
- **Basic amenities** - basic amenities such as landscaped gardens have been provided. Certain large projects also have social amenities such as school and shopping centre.

Distance of Major Affordable Housing Locations from the City Centre

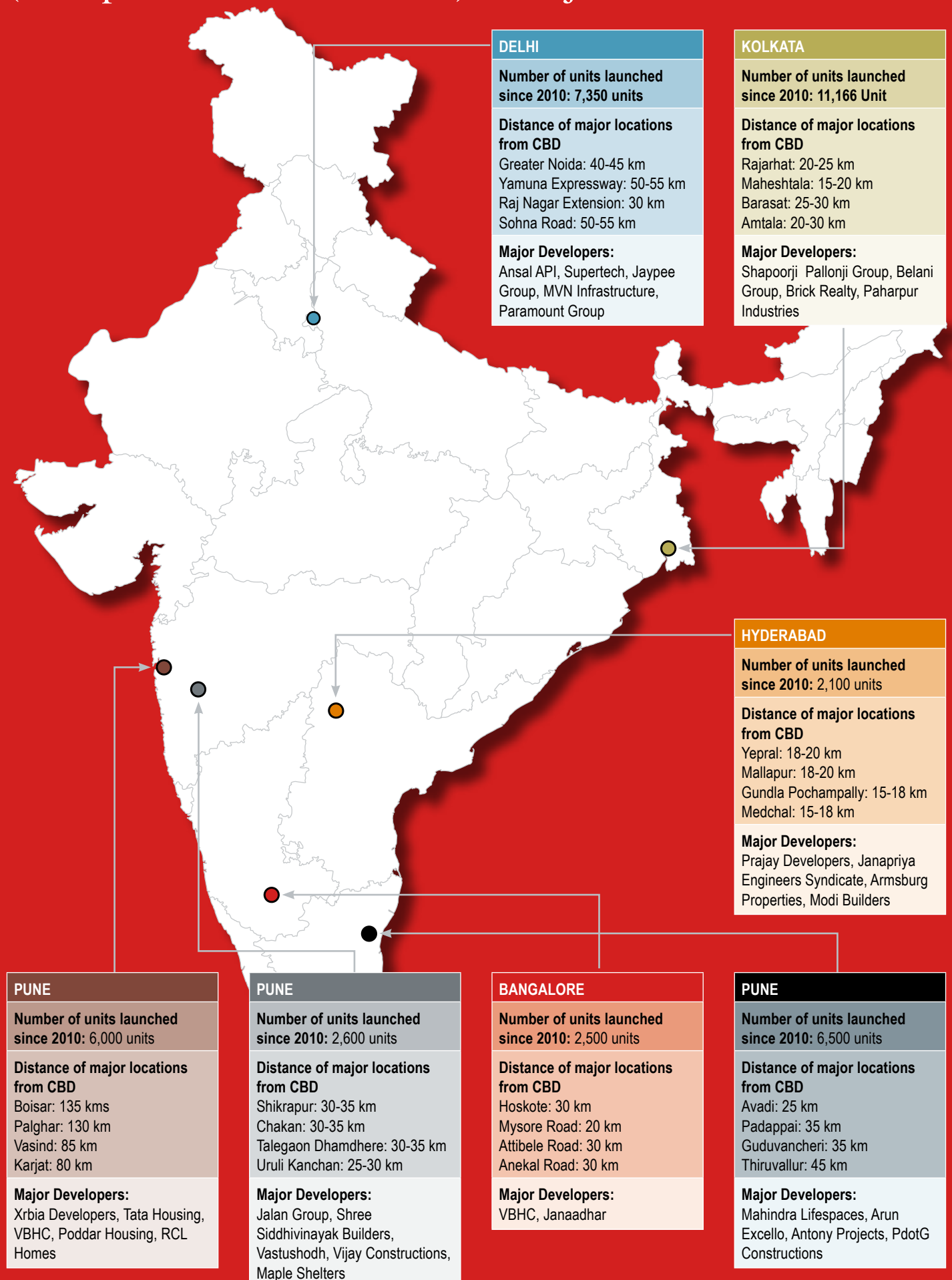


City	City Centre
Mumbai	Nariman Point
NCR	Connaught Place
Bangalore	MG Road
Pune	Kalyani Nagar
Chennai	Nungambakkam
Kolkata	Park Street
Hyderabad	Raj Bhavan Road

Source: Jones Lang LaSalle Research, 3Q14

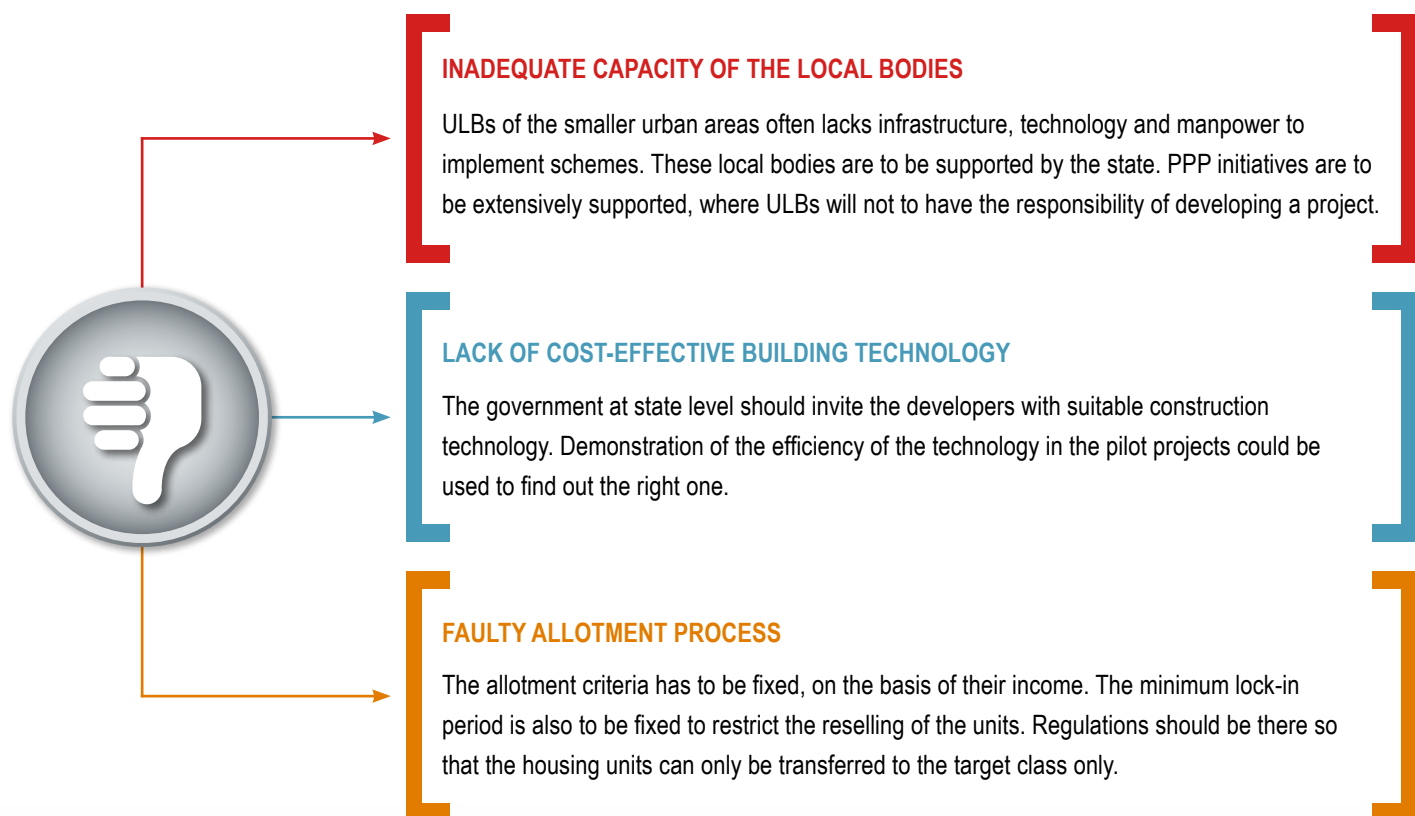
Note: Figures mentioned are distances of the major locations from the city centre. These are major developers and locations analysed through primary surveys in each city. Projects launched by developers might be currently at higher prices but have units that were originally launched below INR 20 Lakhs during 1Q10 - 3Q14

The Landscape of Value Housing (units priced < INR 20 Lakhs) in Major Indian Cities



Case Studies: Affordable Housing projects

Component	Brazil	West Bengal	Gujarat
Project with Location	My House, My Life Programme	Sukhobrishti Mass Housing, Kolkata	Affordable Housing Development in Vatva, Ahmedabad
Implementing Authority	The Ministry of the Cabinet with the Ministry of Finance and Planning	Shapoorji Pallonji with the help of Govt. of West Bengal	Foliage Real Estate Developers Ltd
Features	<ul style="list-style-type: none"> The structure is comprehensive with two types of housing units: <ul style="list-style-type: none"> > Type I: BUA 35 sqm, Carpet Area 32 sqm > Type II: BUA 42 sqm, Carpet Area 37 sqm Innovative construction techniques Partnership between federal and local governments as well as private developers 	<ul style="list-style-type: none"> The township is built on 150 acres and likely to house nearly 1,00,000 people There would be 20,000 units that are divided into two types <ul style="list-style-type: none"> > 'Spandan' (1 - BHK) -12,000 units - G+4 structures > 'Sparsh' (2 - BHK) – 8,000 units – G+14 structures as per the initial plan 	<ul style="list-style-type: none"> 423 housing units in 3 types of flats ranging from 297 sq feet to 730 sq feet will be developed. The project includes incorporation of green design concepts in all stages of development and electricity, sewage and drainage installations The apartments will be sold within the range of INR 3 million to INR 6.5 million
Infrastructure	<ul style="list-style-type: none"> Infrastructure is provided through partnerships with local governments and private companies. 	The developer will provide more than basic facilities to the affordable segment	The development of infrastructures like sewerage, drainage, water supply, electricity and mass transport is the responsibility of the ULB
Work-Place Relationship	It is mandatory to connect the development with the rest of the city through mass transit system to maintain work-place relationship, which is the responsibility of the local government	The township is located near the major PBD locations such as Salt Lake and Rajarhat - New Town, and is connected by major arterial roads. Thus, maintaining work-place relationship is much easier.	<ul style="list-style-type: none"> The project is being developed near Vatva, GIDC, and the project can be a lucrative one for the industrial workers The connectivity factor will be taken care of by the ULB
Development Procedure	<ul style="list-style-type: none"> Families with a monthly income between GBP 416 - 1388 will be able to receive subsidies from the Government and pay as much as 20 percent of their monthly income for the access to the new homes. The program has also devised a backup plan for families, who lose their jobs on allocation of homes, with a special fund A three-tier institutional structure with active support from private developer. 	<ul style="list-style-type: none"> The project was awarded to the developer by Kolkata Metropolitan Development Authority (KMDA) on behalf of Govt. of West Bengal. The initial selling price was kept as INR 0.4 million for 1 BHK apartments, and INR 0.8 million for 2 BHK apartments. The developer was awarded land parcel by the government to develop commercial projects in return to the mass residential development 	<ul style="list-style-type: none"> Lower margin but more volumes Secure Repayment: The MFIs play a key role communicating to the targeted customers Reduction of costs of construction materials by: <ul style="list-style-type: none"> > Using alternative products, such as mud blocks > Partnership with cement companies Cheap and standardized building Short construction time Targeted return is minimum 20% per annum
Status	Being implemented successfully	At implementation stage	At construction stage
Issues	<ul style="list-style-type: none"> Insufficient capacities of local governments- both technologically & financially Limitation of architectural design Unavailability of well-located & serviced land 	<ul style="list-style-type: none"> The allocation process of the units is faulty A lot of units were allotted to different quotas of state govt., like KMDA, police etc. The final products were unable to reach to the end users in the initial phases. The investors made speculative gain of the situation. 	The project is in final stage construction after being active for long (since 2009). Overall the project is getting good response.





Crystal gazing to achieve 'Housing for All by 2022': Reforms Required

Realising the dream of Housing for all by 2022 can be a step towards building a brighter India. Before taking any action, it is critical to review the current state, identify bottlenecks and build an effective execution strategy. Housing for All is pioneering a new way to foster collaboration on a large scale between mortgage financiers, developers, citizens and informal sector clients.

Central and several states governments in the past have undertaken steps to mitigate the urban housing deficit, largely in partnership with the private sector. These efforts have yielded notable results. While, the efforts governments (both central and state) have taken in past are commendable, they need to be accelerated to eliminate housing deficit in the country. In addition, mobilisation of such huge resources (funding, construction capacity, labour, technology, etc.) for mass scale affordable housing development by the central and state governments may be difficult, without participation from the private sector. The private sector, which is often better in term of managing construction risks and project delivery, should be encouraged by central and state governments, by addressing several structural issues.

With the help of CREDAI, we have tried to outline some requirements that are in line with the recommendations of the three Task Forces that were set up by the Ministry of Housing and Urban Poverty Alleviation (MoHUPA) between 2011-2013 to suggest steps to improve the supply affordable housing and rental housing. The outlines are divided into following parts (i) Policy Changes that is within executive authority of the Central Government, (ii) Policy changes that would require approval of the Parliament and (iii) Policy changes which currently are in the domain of the State Government and (iv) Policy that would require time for implementation but will also have significant impetus to affordable housing.

Part 1: Policy Changes within the Executive Authority of the Central Government

Changing approval mode to automatic route for External

Commercial Borrowing (ECB) in affordable housing: The Reserve Bank of India, in 2013, relaxed the ECB norms for affordable housing projects by withdrawing the minimum capital requirement, and lowering total experience required for the developers to three years. However, the current process has become tedious with every step being need of RBI and National Housing Bank (NHB) approvals. Important to mention that ECB facilities are provided by financial institutions and they are capable of completing due diligence on their own as also assessing borrowers' ability to repay. The approval process through RBI and NHB could be minimized with the introduction of authorized dealers acting on behalf of the RBI. And depending on the nature of the certification requirements, the authorized dealers can require certification from Architects or Chartered Accounting firms.

Permit all HFC to access ECB Funding and bring this into the

automatic approval route: The RBI policy on ECB funding only allows a few large HFC to access ECB funding. While in India, there are many HFCs who are more focused in their approach to lending to low and moderate income households, and they should not be denied. In addition, the process could be brought under automatic route under the oversight of RBI, while leaving it to the borrowers and lenders to negotiate loans. And in this way the flow of funds to these specialized HFC will result in lowering the cost of fund to low and moderate income household.

Increased construction finance from NHB funds for affordable

housing: Encouraging NHB to increase lending to developers with sound background could help better finance availability in the sector. NHB has funds provided at concessional terms from global development institutions such as Department of International Development (DIFD) and International Finance Corporation (IFC). And the disbursements are linked to project meeting green standards. NHB could use agencies that can certify projects meeting green standards and mandate to lend money for construction, rather than using the funds as investment in treasury instrument and public sector bonds.

Increase NHB refinance to HFC that are focused on financing

low and moderate income household: A number of new Housing Finance Companies with focus on funding low and moderate income households could now come into existence, post NHB's liberalized licensing policy. And they could be helpful to customers who are ignored by the mainstream lenders due to absence of document as well as prior credit history. However, only a miniscule fraction of NHBs total fund is allocated to the new housing finance companies and increasing the share would no doubt help the lower income category.

Simplifying Ministry of Environment and Forests (MoEF)

approval: The cost of affordable housing can be reduced with a more efficient approval process. The MoEF approvals for affordable housing projects are required for any project that has construction limit of more than 20,000 sqm and usually could take up to 2 years. This is because of the engagement in matters not pertaining directly to environment and covering areas that are also covered by the town planning authority resulting in duplication and more time delay. For example, a circular of MoEF in 2012 on rules governing height of buildings brought the entire approval process in Maharashtra and other locations to a standstill for two years, till the rules were withdrawn. Given that requirements of MoEF are also covered by the Pollution Control Board the MOEF approval could be revoked to a large extent. In addition, if there is an increase in approval limit for projects requiring MOEF approval, then it can focus on larger projects minimising the time delays for smaller projects.

While Mumbai High Court has passed many orders in this respect for slum rehabilitation and redevelopment projects, the same should be applicable to all construction projects as they all fall under same MoEF category 8(a). Any work initiated below 20,000 sqm or after waiting for 105 days irrespective of the quantum should not be treated as violation. Automatic Deemed approved status if decisions are not given within stipulated time period of 105 days (defined in EIA Notification 2006) from date of filing the application would boost projects in the affordable sector.

MoEF EIA notification 2006 requires that EC decisions must be made within a total of 105 days. This was again reinforced by MoEF by stating "these stipulated timelines must be strictly adhered to" in its OM dated June 19, 2013, yet in many states like Maharashtra 70% of cases are waiting for their presentation date for past 1.5 years. On an average only 10-12 cases are cleared each month with total pendency of about 1500 cases. In spite of the additional committee it will take many years to clear the backlog. As a result majority of developers have started their construction in accordance with the sanctioned plans so that they can deliver the homes to purchasers in timely manner. All such cases where the SEAC and SEIAA have failed to give their decision within 105 days should immediately be declared deemed approved and should not be considered as violations. All coercive action on such cases should immediately be stopped because it is not the project proponent's fault that they are not given timely appraisal of their proposals.

That apart, to simplify the process the following steps would be helpful

- Compilation of all requirements for residential building in a single questionnaire
- Acceptance of approval request in writing
- Setting up of a permanent secretariat for MOEF that can provide approval and suggest modification on a daily basis instead of approvals being considered in monthly meetings
- Providing automatic approval based on certification of Green Building standards and meeting other requirements from various accrediting authorities
- In addition, Environment Clearance (EC) appraisal of projects happening on proposed or conceptual plans would be helpful for the sector. As per the MoEF notification dated April 4, 2011 the SEAC shall appraise the projects and activities on the basis of Form-1, Form-1A, Conceptual plan and the EIA report(if applicable). And as there is no provision in the act that makes it mandatory to get non-agricultural permission and plan sanctions before EC appraisals, such superseding circulars could be immediately withdrawn. And while, large township projects witness phase-wise construction and stretch for long time, the validity of EC for on affordable housing projects should be extended with an option of at least one more renewal.

Fiscal Tax Concessions: Affordable housing projects should be inferred with the status of SEZ projects with consequent fiscal benefits comprising exemption from excise duty and service tax, lower stamp duty on transfer of ownership to the buyers and reduction of tax rate to rate prescribed for MAT. In addition, providing benefit under Section 35AD for the Real Estate Sector or restoring Section 80I (B) of the Income Tax Act could help increase the fiscal benefit to the sector. And if the threshold limit is increased to INR 0.5 million for deduction on interest on housing loans under Section 24(B) of the Income Tax and Wealth Tax, it would be beneficial for middle income group categories of the country. At present, maximum tax deduction on home loan is allowed as INR 0.2 million under Sec 24 for Interest on interest on loan and INR 0.15 million u/s 80C for repayment of principal.

Other approvals from Central Government agencies that are required for affordable housing project: We need to have electronic filing of approval requirements for clearance from AAI, the Central Government Ground Water Authority and a defined time line (usually 30 days) for approval. This will speed up the approval process and electronic filing will eliminate rent seeking.

Defining universal minimum Floor Space Area (FSA)/ Floor Space Index (FSI) across India: FSA/FSI varies from State to State and within a State by District. For example in Maharashtra, maximum

FSA in locations outside MMRDA is only 0.75, where it is in Karnataka the FSA is uniform (based on road width of access road) and varies from 2.0 to 2.75. In some states, e.g. Orissa, there is an additional 0.25 FSA (over the norm) for Affordable Housing. What is important is to define a minimum FSA so that scarce land is used efficiently and is adhered by all States. However, taking care of the zonal requirements, such as, coastal area, hills and other protected areas, through FSI/ FAR most suitable is much importance to preserve the country's ecological balance.

Define universal maximum stamp duty for affordable housing- Stamp duty for registration varies from state to state and the range is from a nominal fee going up to 10%. However, lower and universal stamp duty results in higher revenue both through higher compliance and through higher liquidity for property and the resultant turnover.

Using funds from JNNURM for shared building utilities: In many Indian cities, at suburban locations, many times there is an absence of sewage treatment, water supply and electricity network. And the absence is mostly observed in last mile connectivity. Apart from cost benefits, there is also better compliance on the process of treatment of water. Utilities and shared facility for last mile connectivity should be funded through JNNURM funds. In addition, developers are needed be charged access fee for usage of the shared facility. In this process, the JNNURM funds will serve as a catalyst for the setting of shared facility but the total cost can be recovered through a combination of access fee and annual charges to each of the project. And these shared facilities could be run on Build-Operate- Transfer (BOT) basis by Private Sector.

Higher allocation of funds from Skill Development Fund for construction workers and allied skill: Skill deficit is biggest challenge for phenomenal growth. If any Company invest in Skill Development facility, the Government should give high, if not 100%, depreciation or investment allowances. That apart, building an industry-government joint program for training and certification of construction workers would benefit the industry with improved skills of labours. Certification program would also serve as a motivator for the workers to achieve higher skill levels and obtain better opportunities. While there are a number of efforts by various developer group and NGOs, there is a need for substantial scale up and for a common curriculum that provides consistency in training.

Investment in R&D for construction industry: Institutions like Housing and Urban Development Corporations (HUDCO) and Indian Institute of Technologies (IITs) as well as developers should be encouraged for innovation. This could be achieved through a process of fund allocation for such innovation and tax benefits for investment made by the developers for promoting such innovation.

Looking at North-East- The North-East India suffers from the highest cost of construction materials in the country making affordable housing virtually impossible. And this is in spite of the fact that the North East Investment and Industrial Policy (NEIIP) of the Government of India gives very significant subsidies to the industries manufacturing these materials like cement and steel which are located in the region. The list of subsidies enjoyed by the construction material manufacturing industries in the region includes, 100% Income tax exemption, exemption of excise duty, transport subsidy, manpower subsidy, power subsidy, generator set subsidy, 30% Capital subsidy, 99% Vat exemption and interest subsidy on working capital as well as 100% reimbursement of insurance premium. There is absence of mechanism in these policies that would ensure that the billions in public expenditure incurred in these subsidies for the benefit of the region and its people, reaches the intended beneficiaries or serves any public purpose. As a result, materials are sold at a very high price compared to rest of the country leading to escalation of housing costs so much that 32% of the people are already living in slums. And hence, if at least 80 % of the of subsidy enjoyed under the NEIIP is passed on in the form of reduced prices of building materials while linking the grant of subsidies to a legitimate selling price, the well-being of the affordable housing sector could be done easily.

Part 2: Policy changes that would require parliament approval

Real Estate Bill- The Real Estate (Regulation and Development) Bill that was crafted in 2013 is now pending approval of the Rajya Sabha and the President of India needs to be modified to bring into its purview various government agencies that are responsible for providing approvals to real estate projects. This would ensure time bound clearance of approval request, an adjudication process to address difference in interpretation of bye laws, reduce ad-hoc and arbitrary requirements that are often imposed by approving authorities. It is pertinent to note that India ranks 142 out of 180 countries (1 being the best and 189 being the worst) in ease of doing business in India.

Part 3: Policy changes that would require engagement and approval of the State Government

Land Conversion: Agriculture to Non-Agriculture- Land conversion is a serious challenge and involves long lead time. Rules in many states (e.g. Maharashtra) require that the building plans are first approved by the town planning authority, and only thereafter is the application for non-agriculture conversion is taken up. Further, in states such as Maharashtra even the minor subsequent modification request of the building plans, results in the land reverting to an agriculture status and fresh set of approvals are required for clearance. The sequential approval process, thus, results in longer approval time while conversion of agricultural land to non-agriculture has no link to the type of apartments being constructed. For example, in Karnataka, conversion of land from agriculture to non-agriculture is by way of a simple submission to the approving authorities for conversion and paying the requisite fees across the counter. Thus, for all the states the conversion process could be fast paced if it is for affordable housing, by mentioning the project type to the approving authorities. There should be proper check in the future use of the converted land.

Publish bye-laws on web site- All bye-laws need should be published on the web site in the interest of transparency and good governance. The process of publishing on web sites is active in some of the states. In addition, request for clarification of bye-laws interpretation should be accepted electronically and such clarification should be added to the FAQ section of the bye-law.

Appellate authority for appeals and conflict resolution- Since town planning approvals are decentralized at district/ sub-district level, there is wide range of interpretation of the bye-law and there is less scope for developers against interpretation of a town planning unit. And as an appeal through courts is a time consuming process, a similar mechanism in the form of Securities and Exchange Bureau of

India (SEBI) guidelines or Insurance Regulatory and Development Authority (IRDA), should be initiated. These authorities have a framework for an appeal to the tribunal or ombudsman. And a step in the same line with the formation of an appellate authority or ombudsman or a supervisory board would be helpful for the sector.

Repealing approval required from state utility companies and service providers - NOCs and approvals are required from utility companies such as State Electricity Board, MTNL, and BSNL etc. These companies primarily being service providers, the discussion between these institutions and the developers should be on commercial parameters around services and their costs. Thus, repealing the approval required for them would minimise time required during the process of approval seeking.

Automatic panchayat approval on payment of fees- While the developers are willing to pay all the fees for the approvals from panchayat and thereby support the financial requirements, the current approach of requiring panchayat approval to building plans and approvals for commencement of construction has only resulted in delay in getting all approvals. Interestingly, the building plans are required to be approved at the end by the state town planning authorities who are far superior in technical competencies compared to the panchayats. Therefore, an effective solution is that to receive the approval from the town planning authorities and these would follow with an automatic approval from panchayat on payment of fees.

Single window clearance and electronic submission of documents for approval for building permits- There can be two approaches for a speedy clearance

- Manual process, whereby certified architects can confirm compliance of plan to the bye laws and the approvals are based on such certification. This will reduce approval cycle time. On the basis of architect approval on drawings, 75% FSI construction to be allowed and upon obtaining balance permissions, project plans are to be approved by respective authorities.
- The second option is to provide for an IT driven approval process. This model is scalable and could be implemented across the country. However, regardless of methodology adopted, maximum approval time must be defined. Similarly time for pre-plan work such as completion of Government Survey, partition of lands, various NOCs and similar administrative process must be completed with a predefined time.

Indore Municipality has set a process of submission of approval request in electronic format to confirm the building plan to the bye-laws. The software program lists all changes that are required to make the submission comply with the bye-law. The turnaround time for comments is within 72 hours and approvals can be provided within a week of submission. The building approval process of Indore is now getting extended to the whole of Madhya Pradesh. The Indore Model has resulted in the municipality earning higher fees, reduction in litigation and very quick approval cycle time.

Rajasthan UIT has a single window clearance for all approvals that are required from the state Government and the approval cycle time in Rajasthan is shorter than other States. There is a legal provision for maximum approval time of 90 days.

Karnataka State has set up a high powered committee that can approve projects as the committee has representatives from all approving authorities. A higher building approval fee is charged while there is a commitment to provide all approvals within 90 days.



Part 4: Structural Long Term Change

The structural change is required to harmonise bye-laws and provide for a more consistent framework across the country. For example, the minimum room, minimum kitchen size or minimum bathroom or height of the ceiling varies across states. Harmonisation of bye-laws will result in standardisation and move the construction industry to an industrial process. The result of standardisation is improved quality, lower component cost and better training process for workers.

Given large changes in technology, there is also a requirement to relook at building codes and there are opportunities to have both better design and lower cost. However, there is always a need to look at the process of harmonisation as India is vast and many zones offer typical regional features, such as the hilly, coastal, protected areas. And they should be left out of the process with the provision of case specific changes.

Affordable Housing - Way Forward and What needs to be done?

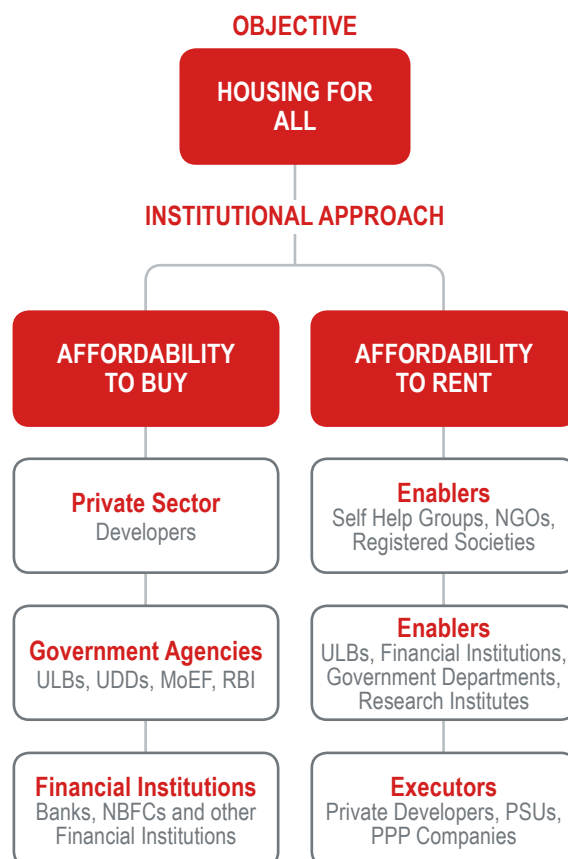
The objective of creating affordable housing is to provide adequate shelter to all. Creation of affordable housing should encompass both - enabling people to buy and to rent, for which there is a need to put an institutional structure in place. The present models on which affordable housing is being created concentrate on the ability of people to buy. These models require a myriad of agencies from public and private sectors to work together. Private sector develops affordable housing projects and sells them in the open market. Government agencies such as Urban Local Bodies (ULBs) and Urban Development Departments (UDDs) are responsible for laying down guidelines and bylaws for affordable housing. Certain restrictions imposed by MoEF limit the use of land, resulting in the lack of supply of land and thus higher pricing. RBI regulates monetary policies that affect interest rates, which has a major impact on the ability of home buyers to purchase houses.

People who look to buy houses in urban areas are mainly those who have been in the city for a considerable amount of time and require new houses due to growing family size. Thus, this model addresses only a part of the target segment that needs affordable homes. Also, by using this model, there is no guarantee that the beneficiaries of such projects are the actual needy people or speculative investors. Another target segment that requires affordable homes are city migrants who cannot afford to buy houses immediately but are capable to rent housing premises. Such people require a differentiated approach towards affordable housing. The three main groups that require to work in sync with each other to make affordable rental housing are:

- **Enablers** - Self Help Groups, NGOs and registered societies are the first institutions to identify the genuine user groups, which help to establish common interests and channels of communication
- **Providers** - such as ULBs, financial institutions, government departments and research institutes would be needed to provide the target groups with approvals, incentives and technical and financial support

- **Executors** - enterprises such as private developers, Public Sector Undertakings (PSUs) and Public Private Partnership (PPP) firms would be required to hold and maintain rental accommodation with adequate support from the first two groups.

A common thread is required to bind these groups together such that they are able to work in a unified manner and reach the actual target group. Such a model would ensure that the beneficiaries would be the actual target segment, thus eliminating speculative investors.



Development of large-scale affordable housing is the greatest necessity of urban India today. Indian cities lack them, and this has resulted in the proliferation of slums and unorganised real estate across the landscape. This is detrimental to the planned growth of cities. Large-scale urban developments are becoming increasingly difficult due to lack of land parcels, congested transit routes, lack of finance, rising input costs and regulatory hurdles. However, it is vital that these issues are addressed urgently so that a comprehensive framework can be established in ensuring the development of affordable housing.

Demand Side

- **Formulate guidelines for identifying right beneficiaries-** There is a need to formulate guidelines that would help identify right beneficiaries for affordable housing projects. This would help in ensuring the reach to right beneficiaries and avoid involvement of speculative investors into the projects. Creation of the National Population Register and issuance of unique identity through Unique Identification Authority of India will become crucial steps in identification of right beneficiaries, if they are linked with income levels
- **Innovate on micro mortgage financing mechanisms to ensure a larger reach-** Effective financing through micro mortgages by utilising the reach of Self-Help Groups (SHGs) and other innovative financing mechanisms would ensure that housing finance is available to large sections of LIG and EWS populations. Flexible payment mechanisms should be put into place, as households in low-income groups typically have variable income flows.

Supply Side

- **Incentivise developers to develop affordable housing-** ULBs and UDDs can develop guidelines by giving free sale areas, extra Floor Space Index (FSI) and other policy measures so that real estate developers are incentivized to develop affordable housing. Schemes for redevelopment and slum rehabilitation should be developed with incentives that generate sufficient returns for the developers whilst controlling the development density. The cost-benefit analysis of regulations should be carried out from a development perspective to ensure that schemes to facilitate the development of affordable housing are feasible.
- **Streamline land records to improve planning and utilisation of land-** Adequate availability of land should be ensured for housing and infrastructure by computerisation of land records, use of Geographical Information Systems, efficient dispute redressal mechanisms and implementation of master plans.
- **Include mass housing zones in city plans and develop them within a planned schedule-** Some cities have already dedicated zones in their master plans for development of affordable housing. Whilst this needs to be replicated in other cities and towns, it should be ensured that they are developed within a planned schedule
- **Enact rental housing schemes in urban areas-** Authorities like MMRDA have experimented with rental housing schemes, but these have not been very successful as a proper framework has been missing for such schemes. Limitations in such schemes include development in far-flung areas, which are not suitable as affordable housing locations and lack of means to identify end users.
- **Formulate policies for greater participation from private sector in the way of technological solutions, project financing and delivery-** Disruptive innovation in terms of technological solutions, project financing and delivery is required, which reduces costs of construction significantly despite rising costs of inputs. As construction costs form a significant portion of the selling price of affordable housing units, the savings in construction can immensely benefit the occupier.

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Sujash Bera manages the Research and Real Estate Intelligence Service (REIS) offerings based out of Kolkata. He joined JLL in 2012 and contributes to topical white papers and property market digest as well as research deliverables on the commercial, retail, residential and industrial real estate markets in India. Sujash holds a Master's degree in City Planning from Indian Institute of Technology, Kharagpur besides being an architect. He has more than four years of experience in the industry.



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About JLL India

JLL is India's premier and largest professional services firm specializing in real estate. With an extensive geographic footprint across 11 cities (Ahmedabad, Delhi, Mumbai, Bangalore, Pune, Chennai, Hyderabad, Kolkata, Kochi, Chandigarh and Coimbatore) and a staff strength of over 6800, the firm provides investors, developers, local corporates and multinational companies with a comprehensive range of services including research, analytics, consultancy, transactions, project and development services, integrated facility management, property and asset management, sustainability, industrial, capital markets, residential, hotels, health care, senior living, education and retail advisory.

The firm was named the Best Property Consultancy in India at the International Property Awards Asia Pacific 2014-15. For further information, please visit www.joneslanglasalle.co.in

About CREDAI

Established in 1999, the Confederation of Real Estate Developers' Associations of India (CREDAI) brings together more than 9000 Real Estate Developers from 151 city chapters across 23 states of India under a single umbrella. As the apex body for private sector developers, CREDAI has worked hard to make the industry more organized and progressive by networking closely with government representatives, policy makers, investors, finance companies, consumers, real estate professionals and developers.



CREDAI's code of conduct is adopted proactively by all its members and promotes self governance and ethical practices. CREDAI also updates its members about the latest industry data, technology advancements, industry benchmarks and international situation from time to time.

The major objectives of CREDAI are as -

- To perpetuate an ethical code of conduct, which is self - imposed & mandatory for all the member developers of CREDAI
- To maintain integrity & transparency in the profession of Real Estate Development.
- To represent the developers across India by communicating & representing with the government authorities for the formulation of proactive policies for this sector.
- To encourage & support the developers to increase their efficiency in the development/construction activities by introducing the latest technologies.
- To disseminate the data, statistics & other related information in this Decor.
- To promote the interest of construction workers & to educate them on the best practices.
- To encourage research in the profession of construction & real estate development
- To facilitate easy housing finance availability to the property purchases and construction finances to the developers by working in close coordination with the leading house finance institutions & banks.