

## Urban Housing

### Lecture 2

#### Housing Policy

The annual growth in urban population has been noted 2.39 (2013) and the percentage of growth in rural population has decreased from 1.7 to 1.0 in the last decade which means that there are more number of people moving into cities and the question of housing becomes crucial here. Indian urban population in 2001 was 27.8% of the total population that is projected to be 50% by 2041 which means that half of the population in India will be living in cities. When half of the people live in cities, the question that arises is, Where is the access to housing?, where do people live?. Here, are some interesting statistics that state that around 33% of the population live in more than 2 rooms and 35% live in one room. However, unfortunately there are 2.3% of the population of India, are homeless. They lack security and tenure and they don't have a place to live or dwell. Also, facts reveal that, the growth of slums has been exorbitant since 1981 till 2001, which means that 26 million people of the population of India, live in slums in 1981 and over two decades the number has increased by 3 times. So all these boils down to, what is housing shortage? and according to the end of the 10th of 5 year plan or the beginning of the 11th five year plan as on 1st April, 2007, the total housing deficit was said to be 24.71 million, out of which;

EWS : 21.78 million

LIG : 2.89 million

MIG / HIG : 0.04 million

MIG - Middle income groups; HIG - High income groups

Which means that totally, 99% shortage is for EWS/LIG segments - technical committee set up by Ministry of housing and Urban Poverty Alleviation.

Now let us take a look at **HOUSING CALCULATOR ( DATA as per census 2001)**

The calculation of housing demand in specific states. Say, for example we take the State of TamilNadu, let us name the total households- A, Residence - B, Other types of residences C, Temporary households- D, Unclassified households- E, Dilapidated- F, Vacant- G, Total residences- H, Homeless- I, Household needing house- J, Housing demand- K

So in the case of Tamilnadu, the estimated housing data, which is around 14,173,626 households, out of which, 13,699,661 constitute the number of residential households. Out of which, 270,944 are residences which can also serve different purposes. Estimated; 3,304,310 are temporary households. 2181 are considered to be unclassified. 117,049 are said to be Dilapidated components and 1,050,624 constitutes the number of vacant houses.

Now, in order to reveal the number of Total residences; we must sum the values of Residences and Residences that serve other purposes/ units. Which means that B must be summed up with C;  $13,699,661 + 270,944 = 13,970,605$ .

In order to calculate the homeless; we need to take into account the number of Households and the Total residents. When we subtract the two;  $13,970,605 - 14,173,626 = 2,03,021$ .

To calculate the number of Households needing house, we must take into account the sum of temporary components and homeless components, that results in; 3,507,331 estimated housing needs in Tamil Nadu.

The final, Housing demand is calculated with the components of Needing house, subtracted from the number of Vacant houses;  $3,507,331 - 117,049 = 2,456,707$ .

The resultant of global UN nations in 1987, resulted in many states and countries to form their own national housing policy agenda. With that, the key housing policies in every country were the following;

- > Encourage investment in housing
- > Use Housing as a part of strategy
- > Motivate houseless to secure affordable housing
- > To Orient public housing agencies towards supply of cheaper land. land as a commodity becomes very expensive in order to buy a plot and build over it.
- > To promote repair, renewal and upgradation of existing housing stock.

In India, in the year 1988 the establishment of National Housing Policy was done, which was further refined in the year 1994, in the month of August. Since the timeline of one decade, the population rather grew by a multifold, there then came a necessity of the following in the year 1998;

- > involvement of multi - stakeholders, especially private investors.
- > Repeal of urban land ceiling act, so that the land is available at a cheaper price.
- > Involvement FDI in housing and real estate sector became crucial at this stage.

Altogether, this was termed as the '**National Housing Habitat Policy**'. Over a decade, this in turn due to the emergence of challenges in shelter especially, in the growing slum areas, in order to address those issues, this was further reinvented to be known as the '**National Urban Habitat and Housing Policy**' in the year 2007, December. This looked after the present conditions of housing and the emerging challenges of required shelter and growth of slums.

Even before this, the Government of India, elected a planning commission in 1950 which released a series of 5 year plans, which means that every five years, a plan was developed and a growth strategy that was envisioned.

### **FIVE YEAR PLANS:**

The planning commission was set up in March, 1950 by a resolution of the Government of India. The economy of India is based on planning through its five - year plans, developed, executed and monitoring by the planning commission.

#### **The key objectives are;**

- > A high rate of growth
- > Economic self-reliance
- > Social justice
- > Modernization of the economy
- > Economic stability

So obviously, when they foresee the economic stability to be more, they use kenel models of economics.

### **TIMELINE OF FIVE YEAR PLANS**

There have been 12, 5 year plans that was initiated during the years 1951 - 1956. This then went on to proceed along the coming years; 1956 - 1961; 1961 - 1966 which brings us to the 12th 5 year plan; 2012 - 2017.

The first 5 year plan was basically based on the 'Harrod - Domar' model of economics, which means that the rate of growth in a country is assessed by the total savings of an individual by a capital output ratio, that simply assess the amount of productivity level an individual can hold.

This was a model that helped depict the key investments in Agriculture. Based on this, the model was setup and this was a Keynesian model depicting investments in agriculture. By the end of this plan, there was a good amount of harvest that had been done. With the first 5 year plan's success, this then gave birth to the second 5 year plan which was based on the Mahalanobis Model, that simply focussed on a move from agriculture to more industries. This gave birth to more industries that made use of the increased capital inflows and increase in consumer goods. When investors try to rope in more capital, that only means that they borrow funds from external agencies, this debt then increases the end product which means that there was an increase in the prices.

In the 3rd and 4th 5 year plan, the focus came back to Agriculture and slowly investments were made based on Economic growth, Self ability to grow, Social Justice, Modernization and finally, the 12th final year plan today, dictates that an increase of 8.2% is to be expected in the GDP. Housing plays a crucial role with regard to this result as well.

### **Different Housing Sectors**

Let us take a look at the housing agencies involved in the provision and the development of housing. Housing agencies constitute nothing but actors who play a major role; Cooperative societies, private builders, State level agencies, Central Government agencies, City level agencies and Community based organizations / Non - governmental organizations.

Housing agencies, can also constitute, Financial Agencies; LIC - Life Insurance Corporation of India, HFI - Housing Finance Institution, HDFC - Housing Development Finance Cooperation, Apex cooperative banks, Commercial Banks, NHB - National Housing Board/ Bank.

### **Housing Agencies in the Public and Private Sector**

The public sector includes the; State level, City level and Central level agencies. The State level agencies which includes examples such as; TNHB - Tamilnadu Housing Board, MHADA - Maharashtra Housing and Development Authority, CIDCO - City and Development Industrial Cooperation which invest on housing boards to provide public housing. Central Government agencies like the PWD - Public Work departments, which target a particular section of the society and which also provide government estates for the employees and the government. City level agencies comprise of CIT - City Improvement Trusts, CMDA - Chennai Metropolitan Development authority, apart from these, there are; SAIL - Steel Authority of India limited, BHEL - Bharat Heavy Electricals Limited, as a part of their concern they take care of provisions of housing. Finally, the Cooperative Society which are of two types; Individual and Co-ownership. The reason people opt for Cooperative society is the concession that one can avail

with regard to the purchase of building materials, loans for housing etc. While, Individual ownership states that after one pays back the loan, the person gets to take up the ownership of their land, they are the sole profiteer from it. In the case of Co-ownership, 25 to 40 % of the share capital is initially taken and the remaining is taken as loans, until the end of it, one remains as a tenant.

Now, with regard to the Private sector, there are just 3 construction agencies; Large, Small, Contractors, Mistries/ labourers. The Large Constructors take up big contractual works like city level projects , the Small constructors take up the cases of neighbourhood projects , the Mistries take up repairs and renovation works. The small and the large are simply judged on the scale of projects they uptake and the number of employees who are permanent.

There are also **major government initiatives and programmes for affordable housing**

Initiatives by Ministry of Housing and Urban Poverty Alleviation

- > Formulation of National Urban Housing and Habitat Policy 2007
- > Jawaharlal Nehru National Urban Renewal Mission
- > Interest Subsidy Scheme for Housing the Urban Poor
- > Affordable Housing in Partnership : Modification in JNNURM
- > Setting up of a High Power Task force on affordable Housing
- > Launch of the Rajiv Awas Yojana, which we will be looking into at a larger stage.

So, now the question becomes crucial, when there is huge amount of housing deficit and especially as we were looking at Affordable housing market last week, there is a supply demand, there is an anticipated demand for the population who earned between an income of 10,000 - 25,000 every month. So, for this how shall the Government provided housing is the key hole. Especially private sector involvement is necessary when such a kind of housing deficit is to be found.

For the involvement of private sector housing, you need few process that has to be clear;

- > Fast track approvals for construction. Nowadays any high level/ high scale project takes three to four months or six to ten months for the approval process to be done, even before its execution and in due course of time, the prices increase and the affordability goes down.

> Proper incentives and TDR to recover the costs of investments. So, when a private investor is called for investing in a public/ social housing, how does he benefit? What kind of incentive does he get? in order to get the returns back. He is mostly profit model.

> Additional FSI as an incentive.

> Controlled market prices

**Key example :** Say there is an FSI increase that is given from 1 - 3, now this additional FSI could be shifted to any other site of his own in the same city. So which means that he can increase or realize profits in another side using the incentives given here. This was a successful model and the agency involved here was; Rajasthan Novel approach in involving private sector. This Model has resulted in 13,000 houses in the first phase and nearly 24 projects with 21,000 houses have been approved for phase II. The agency involved was the, RAVII ( Rajasthan Avas Vikas and Infrastructure Limited ).

There is a small difference between the terms; Public housing and Social housing, it is best understood when described;

*Public housing* may be a form of housing tenure in which the property is owned by a government authority, which may be central government or local government.

*Social housing* is an umbrella term referring to a rental housing which may be owned and managed by the state, by non-profit organizations, or by a combination of the two, usually with the aim of providing affordable housing.

One key agency which is involved in housing provisions especially in India, **Housing and Urban Development Corporation Limited - HUDCO**, set up in 1970 with an equity base of around, 2 crore. It has established a wide range of products, especially in housing infrastructure utilities. They also provide special emphasis on low cost housing, development of new townships and their infrastructural needs, development of consultancy services with India and abroad as well.

To assess the HUDCO performance by the end of 1999, it is believed that, almost 55% and more than 70% of the HUDCO performance was based on the provisions for residential dwellings of the rural areas, and sanitation units in the rural areas rather than the urban areas. The urban areas were contributed about 27%.

The resource allocation for HUDCO, reveals that almost the MIG and other components take up to be 45 % and the remaining 55% are the LIG and the EWS.

The image below, reveals the financial pattern for housing for the LIG and EWS, which means that they have categorized few aspects, for example in Rural; the landless including marginal farmers, landed, village adadi (improvement and repair). So, they have a cost ceiling based on the provision. So they can avail maximum for a landless including, a housing provision of rupees 25,000, out of which the maximum loan ceiling provided by HUDCO is 20,000. So, that means the 80% of the total amount can be taken as loans at a rate of interest of 10%, for a period of 15 years. Say, for example we calculate this, the rate of interest for 20,000 rs, which means that they are liable to pay 22,000 rupees at the end of 180 months, which means that every month they are to pay approximately 150, where their monthly income is around rupees 2,500. HUDCO classifies EWS, LIG, MIG and the HIG based on the income parameters. So for EWS, it is not more than an income of Rs.2500 per month, for LIG it is not more than an income of 2500 - 5500 Rs. Upto 10,000 is considered to be MIG, Above 10,000 is considered to be High income groups. The financial patterns completely change through these different sectors.

### **DIFFERENTIAL INTEREST RATE POLICY OF HUDCO**

From the above image, it is evident that the rate of interests and the repayment period are kind of proportional to each other. For instance; in EWS, the rate of interest is considered to be low compared to HIG i.e 9 to 16 %. The repayment period thereby decreases, which only goes to show that, when the rate of interest increases from the higher income to the lower income, the repayment period thereby decreases. This only shows that HUDCO promotes affordable housing, it wants more access to people especially with regard to housing. The repayment period when it is given at a low rate of interest, the repayment per month would be less as compared to the high income groups. The extent of financing for housing is also given, which actually reduces economically weaker section to the higher income section which only goes to show that HUDCO promotes affordable housing, it wants more access to people especially in the terms of housing.

The provision of housing, **DWELLING UNITS BREAKUP**

As you can see, it is evident that 75 % of the population or the EWS category are benefited from the schemes of HUDCO.

### **HOUSING BY HUDCO**

As on the 31st of March, 2015, the HUDCO has revealed that 166.19 lakh dwelling units benefit the entire spectrum of the society. Out of which, 1/4th of the quadrant which is about 41.58 lakh dwelling units are especially for upgradations. Furthermore, 61.7 lakh dwelling units are for the urban while the remaining 104.89 lakh dwelling units are for the rural and urban. This only

reveals that more investments have been made into rural dwellings i.e rural sector development. Up Till 31st of March, it has only be revealed that 14,855 projects excluding infrastructural projects, which have an investment of 54,098 crores. So set up in 1960, about four decades ago, it has grown to a level from an equity base of 2 Crores to 54 thousand 98 crores, this is just excluding infrastructure .

## **HOUSING LOANS**

This reveals that the entire spectrum of 43.59% of the dispersal of loans benefitted the EWS and LIG at a rate of interest of 8.5% and 9.75%. All these are floating rates of interest, which only means that when the market rate is up, the rate of interest goes down and they inturn get benefited out of this. 92% have been assisted by HUDCO and fall under this category.

So this makes it easier to defined the subject, Housing loans are much of the assistance that is rather project oriented, that helps ensure that the housing is *affordable, technically sound, financially viable, legally acceptable and above all environmentally appropriate*. So, these are the key strategies, especially when HUDCO looks at housing provision.

HUDCO plays a major role in implementation of National Housing Policy. It has been entrusted with the implementation of the priority programmes of the ministry like Low Cost Sanitation, Night Shelter for Footpath dwellers, Shelter upgradation

Besides this, HUDCO provides specialized attention to critical segments of instracture development in cities and towns. They are involved in 6 major segments; *Water supply, sewage, solid waste management, roads, transport infrastructure and other Utility infractures, area development, Development of social infrastructure and Commercial facilities*.

As on 31st March, 2015, 480 schemes have been undertaken under the aim of water supply. Sewage comprises of 125 schemes, with an investment of 5894 crores, Roads with about 47 schemes with an investment of 25,747 crores. Area development includes 172 schemes with an investment of 1587 crores, Social infrastructure with about 416 schemes with an investment of 5003 crores and finally, Commercial with an investment of 32,424 crores.

HUDCO has sanctioned 655 (577 urban and 78 rural ) building centres all over the country, to introduce alternative and cost effective building technology to people. Financial assistance is extended to the building materials industry to encourage innovative and alternative methods employing agricultural and industrial waste.



HUDCO is offering technical consultancy in the areas of Architecture, Urban planning, Urban design, Landscape planning including Heritage planning, Management and Conservation in India as well as Abroad.

*The challenge of housing shortage could be tackled successfully only through;*

- > Sound housing policy
- > Ensuring increased inputs (physical and financial).
- > Motivate and assist the homeless to secure for themselves affordable shelters, in the shortest time possible.

## **HOUSING PROGRAMMES**

### **URBAN HOUSING**

Loans are provided to housing boards, development authorities, CIT's by HUDCO in the segment of urban housing category for repairs and provision of plots and it also provides the public with freedom to construct to their own houses.

### **RURAL HOUSING**

Loans for agencies nominated by government implementing rural projects. This includes construction of houses on plots allotted by state agencies to the landless laborers, SC and ST.

### **COOPERATIVE HOUSING**

Lends money to primary house building co-op societies, state level financing societies for undertaking housing projects. Other than this, they are also involved in Rental housing, Women night shelters, Staff housing, women condominiums. There are schemes where HUDCO actively involves.

## **GOVERNMENT ACTION PLAN SCHEMES INVOLVING HUDCO**

### **VAMBAY**

To provide and upgrade shelter for BPL families. Preference given to women headed households in 35 metro cities. Schemes will encourage appropriate construction technologies and use of local materials for construction. So it is to provide every year, 2 million housing stock

which envisages construction of around 2 million houses every year. Out of which 1 million, 30 thousand which is 1.3 million for the rural segment and point 7 million for the urban segment.

### **ADDITIONAL 2 MILLION HOUSING PROGRAMME**

Envisage construction of 2 ( 13 + 7) million houses every year. Loan assistance would be given by HUDCO for 1 (6+4) million houses. Loan assistance will be given for the one million houses again in the 60:40 ratio.

### **SJSRY - Swarna Jayanti Shahari Rozgar Yojana**

Generates employment opportunities through shelter up gradation and training. A total of 530 schemes have been sanctioned with HUDCO loan assistance.

### **HOUSING FINANCE AGENCIES**

#### **NHB**

Established in 1988 as an apex institution with financial, regulatory and development functions with equity capitals from RBI and concessional funds from LIC.

It is a financial institution assisting in the form of loans to HFC's. Loans are given to HFC and commercial banks for 15 years. Gives preference to agencies undertaking housing in rural areas. Housing Finance corporations provide loans to individuals and state level agencies. It is promoted and supported by the national housing bank.

#### **HFC**

Provides loans for individual and state agencies. Promoted and supported by NHB ( National Housing Bank) and HDFC ( Housing Development Finance Cooperation). So, the individual state agencies in order to provide housing boards and different housing sectors within a state, HFCs involve in it.

#### **LIC**

The Largest single lending institution for housing. Mobilizes 10% of household savings, it is obliges to invest 25% of its additional resources to socially oriented sectors like housing, sewage etc.