

Current Parameters to Promote Successful Deliverance of Affordable Housing

Ar. Sheetal A. Jagdale

S.P.S.M.B.H,s College of Architecture, Kolhapur 416012.

Email: disha_ar2@rediffmail.com

Abstract: *The paper discusses about the problem of Affordable housing that many countries are taking stock of, world over. This paper sets out the definitions of affordable housing in India; the issues with the various definitions of affordable housing; the institutions and agencies responsible for formulating and implementing affordable housing policies in the state; the opportunities and challenges in affordable housing.*

The paper discusses about the challenge faced by people who buy homes are when to make investment in property. At times when suitable economic conditions result in a rise in incomes the real estate prices equivalently rise making it difficult for buyers to purchase homes despite having a higher income. Moreover when the economy deteriorates incomes fall and so do real estate prices, hence people become more skeptical about their income and therefore they make purchases cautiously. Affordable housing can be a beneficial scheme to this dilemma of housing and can provide housing to all sections of society.

Keywords: **affordable housing, increasing urbanization, PMAY, public intervention**

I. Introduction

As the shortage of housing in urban areas is alarming, Affordable housing is fast taking center stage internationally as well as national agenda in India. In present scenario people susceptible to low or irregular income are likely to find it difficult to buy their own house. Moreover, the rapid increase in house prices and rents in urban centres have pushed the dreams of homeownership beyond the reach of growing number of LIG and EWS. This stresses the need for appropriate and affordable shelter, which embodies the values of the users, and forms an integral component of the fabric of neighborhood life as well as the entire social milieu. Thus shelter has many connotations, which includes cost, choice, community and conservation aspects of a house and its habitat.

With present pace of growth, urban centers will face chaotic conditions for housing provision and the shanty image of our cities will create a question over environmental sustainability of human settlements. To ameliorate housing conditions in deteriorating slums radical changes are required in present land policies assuring tenure security. Furthermore, it was recognized that private sector housing market excludes a large segment of population under poverty line in the urban centers due to limited profitability. This implies that there is a need for a reorientation in the present notions of housing

provision by public intervention, which becomes an urgent need to provide housing for all.

What is affordable housing – need of uniformity
Different countries have defined affordable differently. In the United States, the typical

Definition of affordable housing is that the cost of houses should not exceed thirty percent of a household's gross income level. The cost of houses in this definition includes taxes, insurance and utility costs

Income Categories	Income Levels	Size of Unit	Affordability
Economic Weaker Section(EWS)	< INR 3,00,000/- per annum	Upto 30 Sq.m carpet area	EMI to monthly income- 30 to 40 %
Lower Income Group(LIG)	< INR 6,00,000/- per annum	Upto 60 Sq.m carpet area	EMI to monthly income-30 to 40%

“**Affordability Housing**” refers to any housing that meets some form of affordability criterion, which could be income level of the family, size of the dwelling unit or affordability in terms of EMI size or ratio of house price to annual income”

Affordable Housing in India is based on income categories, income levels, size of dwelling unit and affordability of an individual.

According to the Confederation of Real Estate Developers' Associations of India (CREDAI) , a much broader definition has been given to affordable housing. Affordable housing is usually provided to three sections of society: The economically weaker section, the lower income group and the middle income group.

- The Economically Weaker Section who earns incomes of less than INR 150000 per annum can usually afford a housing unit of upto 300 sq. ft.

- The Lower Income Group who earn between INR 150000 to 300000 per annum can afford homes in the range of 300 sq.ft to 600 sq. ft.

- The Middle Income Group who earns INR 300000 to 1000000 per annum can afford homes that range from 600 sq. ft to 1200 sq. ft.

Currently there are some cities – Mumbai, Pune, Ahmedabad, and Indore – which have more than 20 projects each providing

housing below Rs 10 lakh. There is already an increased interest among the developers to lay out affordable housing. To fulfill the target of providing shelter to all, state government promoting in form of inclusive housing, each developer needs to reserve 20% of the projects as the affordable housing component. The developers, private and public players, also face a lot of challenges like high cost of urban land, a very extensive approval process, and availability of land.

Need of the project

The growing population in India has led to many problems including land shortage, housing shortage, and congested transit. India, like most major emerging economies, has been witnessing accelerating urbanization. As per the census of India in 2001, about 72% of the population lived in rural areas, and 28% in urban areas. By 2011, these figures had changed to 69% rural population and 31% urban population. In fact, as per census 2011, for the first time since India's independence, the absolute increase in population was more in urban areas than in rural areas. India's urban population is growing at an average 2.1% every year since 2015. It is likely to reach 60 crore by 2031 (up from 37.7 crore today). But the growth in housing has been unable to keep pace.

Government to boost affordable housing -

The Government of India has recognized the need to fill the gap in urban housing. Large-scale housing projects that are affordable are sure to help. So, the government announced an ambitious project. Our honorable Prime Minister Mr. Narendra Modi believes that this scenario can change with the Pradhan Mantri Awas Yojana . Our honorable Prime Minister envisioned 'Housing for All by 2022' when the Nation completes 75 years of its Independence.

Following schemes and incentives to promote its growth were suggested:

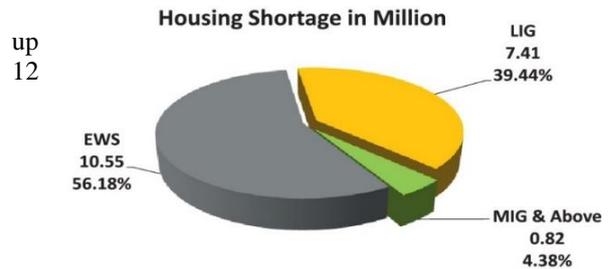
- The government has granted the much-coveted infrastructure status to affordable housing, giving developers access to cheaper sources of funding, including external commercial borrowings (ECBs).
- Affordable housing promoters have been granted more time for project completion - the deadline has been increased to five years from the current three years.
- Developers will get a year's time to pay tax on notional rental income on completed but unsold units. The tenure for long-term capital gains for affordable housing has been reduced from three to two years.
- The qualifying criteria for affordable housing have been revised to 30 square meters and 60 square meters on the carpet, rather than the saleable area, for metros and non-metros respectively. This effectively increases the size of the affordable housing market across India.
- To augment the sops announced in the budget, a new Credit Linked Subsidy Scheme (CLSS) for the mid-income group was announced with a provision of Rs 1,000 crore.

1. Developers warming up to affordable housing

As a result of policy thrust and financial support, more developers are keen on making inroads into the segment. The latent demand for affordable housing always existed but with regulatory and government support and increasing urbanization, more and more developers are finding the segment lucrative.

The government is reaching out to developers to make 'Housing for all by 2022' a reality. An additional incentive of 39% higher allocations was announced for affordable housing development this financial year under the Pradhan Mantri Awas Yojana (PMAY). It has also extended the CLSS to

loans to Rs lakh. Easy



availability of finance for buyers

Government policies like the Real Estate Regulatory Authority (RERA) has infused fresh buyer confidence into the realty sector. First time homebuyers are finally making purchase decisions for homes that meet their budgets. The availability of cheap finance is also driving the demand for affordable housing.

Several new entrants in the mortgage lending space are focusing on providing small home loans to customers in cities and small towns. Refinance of housing loans by National Housing Banks (NHBs) will give further boost to the sector. According to an India Ratings and Research report, affordable housing finance is set to be a Rs 6 trillion market by 2022. The research agency has also predicted a whopping demand for 25 million homes in the medium-income group (MIG) and lower-income group (LIG) categories over the next five years.

1. Challenges

The biggest challenge to create affordable housing is the unlocking of land in urban areas. Unless adequate land is made available, creating 2 crore homes may be a distant dream. According to an estimate, close to 57,392 acres will be required to build the 2 crore homes, if one were to assume a size of 500 sqft per home and an available floor space index (FSI) of 4. This will require unlocking non-essential lands currently being held by large government bodies.

Public-Private Partnership (PPP) - Concept & Need

A public-private partnership (PPP) is a contractual arrangement between a public agency (federal, state or local) and a private sector entity. Through this agreement, the skills and assets of each sector (public and private) are shared in delivering a service or facility for the use of the general public.

- The private sector can play a significant role in bridging the current deficit of Affordable Housing in the Country.

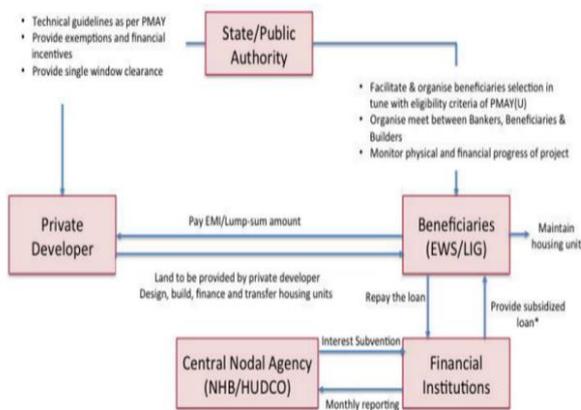
- Providing housing to the needy can no longer be the sole monopoly of the state.

- PPP model is certainly most efficient way to make progress on building large number of affordable houses as government alone cannot meet its target of building 20 million houses by 2022.

- The need was also felt to develop models for PPP arrangement on privately owned lands as well. The policy consists of **two such PPP models**, linking with the two verticals of the Pradhan Mantri Awas Yojana (Urban) - Credit-linked Subsidy Scheme (CLSS) and Affordable Housing in Partnership (AHP).

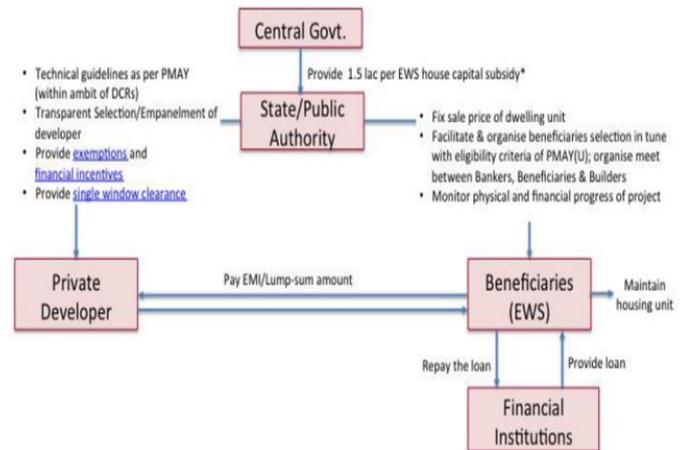
PPP Framework For Private Land Based Subsidized Housing In Association With PMAY (U)

Model A: Taking advantage of CLSS



PPP Framework for Private Land Based Subsidized Housing in Association with PMAY (U)

Model B: Private Land Based Models under AHP scheme for EWS



Conclusion

There is an increasing need of information on appropriate methods for affordable housing. An effort at coordination can be extremely beneficial to affordable housing, which forms a part of development programs all over the country. The information on PPP intervention & contemporary improvements to these, if properly fed into affordable housing programs, can result in enormous cost savings, increased affordability and the emergence of an aesthetically and economically more appropriate built environment in all areas.

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