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# **Affordable Housing in Urban Areas: The Need, Measures and Interventions**

— Ramakrishna Nallathiga<sup>1</sup>

## **Abstract**

India has been experiencing rapid population growth together with rising levels of urbanization for a long time. The rising importance of urban areas in taking share of not only population but also economic growth became much apparent since after the 1980s when urbanization rates were growing. Accompanying the process of urbanization is the issue of housing of population and shortages were evident as early as in 1970s and 80s, primarily attributed to the lack of construction technologies and methods that lead to advancement of supply. Whereas housing shortage was well existing throughout the period after independence, there has been a gradual shift in housing problem in urban areas from the shortage of housing availability to the lack of housing affordability. Land cost and its availability, apart from availability and access to finance, has been becoming important determinant of house prices in cities. By implication, the housing has become out of the reach of several millions due to the high rise of house prices in comparison to their incomes. Affordable housing has become a buzzword among various circles. This paper discusses the background of the issue in terms of the constitution and measures of affordable housing and the various measures required to ensure its provision with reference to the public interventions through policy, institutions and reforms.

## **Key words**

Urbanization, Housing, Affordability, Measures and Public Interventions

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<sup>1</sup> Knowledge Manager, Centre for Good Governance

## 1. Introduction

Urbanization and urban population growth have been well established in the societies of Western Countries, which have now been replicated elsewhere. As a result, there are dramatic changes in their constitution of total population. In 2008, for the first time in history, more people began to live in cities than in villages. According to the State of World Population Report 2007, the world's urban population is 3.3 billion out of a total world population of 6.6 billion. If the current trend continues, the number of urban dwellers will reach almost 5 billion by 2030. Following the world, India's total urban population has increased somewhat steadily in the past but made rapid strides in this decade, which will be vindicated once the Census Results are announced in 2011. The recent McKinsey Global Institute Report (2010) has projected India's urban population expected to become 576 million in 2030 from the current 328 million.

With the rapid urbanization, one of the biggest challenges will be providing affordable housing to city dwellers, especially to the poor. Housing is integral to the well-being of a family that makes it formal household with a stake in economic and social development. Yet, over a billion people around the world live in appalling conditions of urban slums, lacking the benefits of adequate housing. In India alone, about 100 million persons live in slums and slum-like conditions without adequate basic facilities such as piped water, sanitation, schools, health, and so on. These numbers are expected to touch 200 million by 2020. The McKinsey Report (2010) states that the cities are clearly short of preparing themselves to these challenges of urbanization, especially housing, which can affect the economic growth prospects and living environment that lead to down ward spiral in long term. This is especially the case when GDP is increasingly becoming urban footed.

According to the Planning Commission estimates, urban housing shortage as in March 2007 was around 24.71 million and it will increase to 26.5 million by 2012. Majority of this shortfall in housing is with regard to economically weaker sections (EWS) and low-income groups (LIG) which contributes to squatting and slum formation. At macro level, housing shortage of 25 million units affects approximately 35% of urban households, of which around 17 million household are estimated to be living in the slums (MGI 2010). It is stated that the housing shortfall and slum population is a huge problem, comparable to that of only China, which made a significant progress through public housing alone. This quantity fall back has to be noted together with the quality of housing stock available e.g., materials, age, interior facilities, access to civic amenities, which is difficult to assess.

The term 'housing' in advanced nations refers to a dwelling unit standard type, mostly an independent house or apartment, whereas in a developing country like India, it has different notion. For example, the Census of India refers it to sheltering taken either on pavement or in a thatch hut or in a bungalow. Apart

from the difference in definition aspects, building a house involves deployment of substantial amount of capital, labor and time. For ensuring fair returns to all these factors, apart from the returns to the developer, the price of house needs to be adequate enough. This makes housing somewhat expensive good, often several times the annual income of households.

However, as housing is one of the basic needs of a human being, possession of it would become an important element of achieving security of living; the benefits of housing, however, extend beyond achieving the security. This sometimes prompts governments to intervene in the provision of housing by several means. These may vary from direct provision of housing to the provision of housing subsidy to mortgage tax relief to the regulation of housing rents or land ceilings. While some of these interventions, like targeted housing subsidy and mortgage tax relief, serve the purpose, some others, like the land ceiling and rent controls, act as deterrents to the provision of housing.

All said and done, the objective of any public intervention should ideally make 'affordable housing' available to all. Affordable housing, in simple terms, is a dwelling where the total housing costs are affordable to those living in that housing unit. However, the policy focus and past interventions in India have not been focusing on achieving this objective; rather, it had either too much of intervention or too less delivery in its implementation, which led to significant backlogs of housing shortage in the cities. The National Housing and Habitat Policy 1998 rightly emphasized the need to focus government policy on facilitating the provision of affordable housing.

'...The government has to create a facilitating environment for growth of housing activity rather than itself taking on the task of building. However, this shift in the role has not yet taken place with the result that the government is still called upon to act as a provider. The other partners, like private and co-operative sectors, have not stepped-in to fill the void...'

Policy Document, 1998

## **2. Affordable Housing: Definition and Measures**

Affordable housing is the term sometimes used very generally without knowing what it refers to. Broadly, it refers to housing made available at the cost that can be attained by a modest household with an average annual income; statistically, it refers to median price that can be afforded by median household; and symbolically, it refers to right housing options to right income groups. There are three measures reflecting upon the affordable housing that are explained below:

### **(a) Price –Income Ratios**

In the United States and Canada, a commonly accepted guideline for measuring housing affordability is whether housing unit costs exceeds 30% of a household's gross income. Housing costs considered in this guideline generally include taxes

and insurance for owners, and usually include utility costs. When the monthly carrying costs of a home exceed 30–35% of household income, then the housing unit is considered unaffordable for that household. Of course, such is the case of a country which regards human resources very high, in spite of easy availability of technology and materials.

Affordable Housing is primarily measured in terms of broad aggregates of house price to annual income ratios, in case of owner housing, and house rent to monthly income, in case of rental housing. In the EU, for example, the former was in the range of 2.0-2.4, whereas the latter is of the order of 10-25%. Unfortunately, both these measures, when applied to Indian metropolitan urban context, tend to reflect the fact that housing is not quite affordable to a majority of the population. The corresponding figures in Mumbai in the early part of decade (much before the boom), for example, ranged between 8-10 in the case of former and 25-50% in the case of latter. Thus, we are in a long way to reach the levels of affordable housing provided in advanced nations.

(b) Poverty line Measures

Another measure of affordable housing is the number of poor people or those 'Below Poverty Line (BPL)', who in their struggle for basic living, might not be able to live in proper and affordable housing. This concept has also received good attention, given that most of such people in this category are perhaps most deprived of housing and inevitably stay in slum settlements. It is good and valid so long that it is not used as a political instrument to manipulate the numbers for their benefit. State and City level urban poverty surveys are good means of arriving at poverty estimates. The results of MMRDA survey of income distribution of households for the city of Mumbai are as shown below:

Income Range (monthly income in Rs per capita)	Per cent Households
450-650	6.19
651-970	6.96
971-1290	13.82
1291-1940	20.13
1941-3230	25.37
3231-6450	21.26
6451-12500	6.27

Source: Draft Regional Plan, MMRDA (1995)

The above survey implied that almost half of the urban population fell under BPL category, when the poverty line was set as Rs 1,900 per month. This measure of urban poverty comes at par with the national aggregates of urban poverty of almost 50% level. However, the survey results indicated in the following also reveal another reality of more than half the population resides in slums in Mumbai, thereby implying that the housing shortage is more acute than poverty

or even well-off people have no option of housing within their means. But, the association between the share of population living in slums and the population with income levels below BPL tends to be strong.

Income Range (monthly income in Rs per capita)	Per cent Households living in slums
< 650	8.43
651-970	12.2
971-1290	24.01
1291-1940	26.98
1941-3230	20.93
3231-6450	6.45
6451-12500	0.99

Source: Draft Regional Plan, MMRDA (1995)

### (c) Housing Property and Its Values

As the cost of land and housing unit are both included in the property value, it is often used as the gauge for the availability of affordable housing. Here, the definition of basic standard of living space becomes important, which varies from country to country and State to State or even city to city. However, as property value varies with location, it can only indicate the relative affordability. Instead, the average property value when combined with the minimum required living space can become another measure of affordable housing availability. If the property values are too sensitive to location, access, amenities and public goods, then the values of an area representing reasonably modest in all the above parameters could become a norm. However, this measure reflects the affordability to private owned housing and it may also incorporate indirect prices paid to other features of property e.g., landscape, amenities, location, social class and security etc. However, the recently appointed Taskforce of Government of India (also known as Deepak Parekh Committee) has opted to go for this kind of measure to define affordable housing in the cities of the country. Box 1 shows the measure used by it.

#### Box 1 Deepak Parikh Committee's Definition for Measurement

The Government of India Taskforce, headed by Mr Deepak Parekh, used a combination of the rental value of property, house size and household income (while assuming household size of 5) to categorize affordable housing classes into:

##### (a) EWS/LIG categories of households:

Size of dwelling unit - Carpet area between 300 and 600 sq ft

Cost - Not exceeding four times the household gross annual income

EMI/rent - Not exceeding 30 per cent of the household's gross monthly income.

(b) MIG categories of households:

Size of dwelling unit - Carpet area not exceeding 1,200 sq ft

Cost - Not exceeding five times the household gross annual income

EMI/rent - Not exceeding 40 per cent of the household's gross monthly income.

Source: The Construction World (2009)

### **3. Affordable Housing: How can it be attained?**

Affordable housing can be achieved only through symbiotic working of central, state and local governments. Both public/government interventions which result in creation of housing stock as well as incentives for private players through appropriate policy and strategy are required to ensure that the balance of supply is adequate to large and ever increasing urban population and especially of the urban poor. In the following section, a review of the government efforts in this direction is made, followed by which the way forward is discussed.

#### **3.1 Central Government Efforts**

The National Housing and Habitat Policy 1997 had emphasized on 'affordable housing' should become the objective of several agencies associated with urban development – planning agencies, financial institutions and real estate developers. It noted that the policy in the past to provide public housing was a failure because the government did not have the administrative, financial and technical capacity to achieve this result on its own and the implementation strategy was not well formulated after assessing the status of housing supply. What is required, as outlined in the national policy, is to promote the participation of private and co-operative real estate developers and financial institutions to play an active role in the production of housing units at an affordable price, while ensuring adequate profits to both of them. It matched liberalization agenda of withdrawal of government in the supply of goods and services. It also benefited from consumption incentives provided to allow deduction of mortgage loan payments from income tax.

The union government policy thrust was similar to what the UK experimented in 1980s after achieving a high level of social housing. Through tax incentives and liberalized operational environment for housing finance institutions, the union government attempted to achieve affordable housing through ownership housing while neglecting rental housing. Housing finance institutions are better players than traditional banks as they can assess risks and returns in a more professional manner. However, in spite of several pushes, real estate improvement trusts and mutual funds did not take off to mobilize a good amount of investments and thereby lend to developers and construction industry.

The NHHP 1997 itself took a long time to get formulated - the policy revision started in 1986 and finalized in 1998. But since then there had been major changes in habitat and human settlement issues. Therefore, the National Urban Housing and Habitat Policy (NUHHP), 2007 was formulated with focus on promoting public-private partnerships for realizing the goal of 'Affordable Housing for All' with special emphasis on the urban poor. It also set out an action plan for realizing the larger goal by commending to State governments to have a similar policy and to set up high-level monitoring committees its review and implementation.

The NUHHP 2007 was formulated keeping in view of the changing socio-economic parameters of urban areas and growing requirement of shelter and related infrastructure by mandating that the States are required to develop 15-20 year perspective plans in the form of City Development Plans based on spatial planning. It emphasizes on the following (The Hindu 2007):

a) Partnerships

Given the magnitude of the housing shortage and budgetary constraints of both the Central and State governments, the policy focused the spotlight on multiple stake-holders namely, the private sector, the cooperative sector, the industrial sector for labor housing and the services/ institutional sector for employee housing.

b) Urban renewal

The policy notes that provision of housing and basic services for the urban poor has been integrated into the objectives of the Jawaharlal Nehru Urban Renewal Mission (JNNURM). The policy lays special emphasis on Scheduled Castes/Tribes/Backward Classes / Minorities and empowerment of women within the ambit of the urban poor.

c) Symbiotic development

Favoring a symbiotic development of rural and urban areas in line with the objectives of the 74th Constitution Amendment Act, the policy emphasizes urban planning, increase of supply of land, use of spatial incentives such as additional Floor Area Ratio (FAR), transferable development rights, increased flow of funds, healthy environment, effective solid waste management and use of renewable sources of energy.

d) Integrated townships

While encouraging integrated townships and Special Economic Zones, the policy seeks reservation of 10-15 per cent of land in every new public/private housing projects or 20-25 per cent FAR whichever is greater to be reserved for EWS/LIG Housing through appropriate spatial incentives. States would be advised to develop 10-year perspective plan for housing of EWS/LIG.



e) Slum redevelopment

While the private sector is to be permitted land assembly within the purview of Master Plans, action plans for urban slum-dwellers and special package for cooperative housing, labor housing and employees housing would be prepared, according primacy to provision of shelter to urban poor at their present location or near their workplace. Slums will be rehabilitated in situ. Relocation will be considered only in specific cases.

f) Micro finance institutions

The policy favors promotion of micro finance institutions at the state level to expedite the flow of finances to urban poor, formulation of model municipal laws by the Central Government and preparation of city maps on GIS, aerial survey and ground verification.

g) Technology deployment

Besides encouraging the use of proven cost-effective technology and building materials and balanced ecological development, the policy pitches for development of mass rapid transit system at the sub-regional level.

The policy further intends to promote sustainable development of habitat in the country to ensure equitable supply of land, shelter and services at affordable prices to all sections of society. The Centre will encourage States to develop a “Habitat Infrastructure Action Plan” for all cities with a population of over one lakh with focus on accelerated flow of funds besides providing roadmap for institutional, legal and financial incentives.

### **3.2 State Government Initiatives**

The importance of affordable housing has also caught the attention of some of the Indian States and cities recently. The Government of Maharashtra is the first State in India to announce a State Housing Policy in 2006, which has laid down some broad directions for interventions needed towards realizing the objective of affordable housing in the state. Box 2 shows the key features of the policy.

<b>Key Features of Maharashtra State Housing Policy, 2006</b>
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For achieving Affordable Housing, the Government of Maharashtra has proposed the following initiatives:

- Create adequate housing stock for Low Income Group (LIG) and Economically Weaker Section (EWS) through state agencies and private players
- Pursue the target of Cities without slums by using Land as resource
- Make it mandatory by law that in every township and layout, whether Government or Private, a minimum percentage shall be for EWS and LIG
- Deregulate Housing Sector to encourage competition and public private partnership.
- Rationalize Development Control Regulations and streamline approval procedures to move towards simplification and speedy processing of housing projects.
- Redevelopment of old and dilapidated buildings in old city areas through joint ventures and cluster approach to accelerate redevelopment of old and dilapidated buildings.
- Encourage the use of modern technology for creation of housing stock so that there is improvement in quality and reduction in prices
- Encourage Rental Housing by amending Rent Control Act for new buildings and new premises.
- Incentivise the supply of Rental Housing as well as Economically Weaker Section and Low Income Group tenements by means of higher FSI and telescopic taxation.
- Rehabilitation of slum dwellers through in situ development in an integrated township through public private partnership following the model of Dharavi Redevelopment Project.
- Create enabling environment which will encourage Foreign Direct Investment (FDI) in the State either through local partners or directly so that FDI flows into Housing Sector will bring home the experiences and advantages of modern housing technology from different parts of the world.
- To safeguard the interest of various stakeholders, Central Government may examine setting up a Housing Sector Regulatory Commission as an independent statutory body consisting of eminent persons of high reputation and knowledge of housing sector.

### **3.3 Urban Local Government Efforts**

Although it is the urban local governments which have to take care of the population in their jurisdiction – formal and informal as well as existing and future, they are not playing the role that they should have been playing. While lack of decentralization is one reason for this, there have not been enough attempts or plans by urban local governments to address the issue within their planning, administrative and operational environment. The mandate of preparing city development plan under the JNNURM, another large programme, has led to some action on behalf of 63 mission cities albeit in lackadaisical manner. The city development plan of Mumbai, which is based on the city development vision plan

of Bombay First and McKinsey (2003), has pronounced affordable housing development as a key strategy spinning tool to boost urban renewal, to attract investments and to attain economic growth.

The Central Government efforts are not complemented by a reform in state and urban local government land management. As a result, very little has been done in the arena of local administrative laws, regulations and functions, which appear to thwart housing supply rather than complement it. It was the central and state governments which entrusted the local government with effective allocation and management of land through various enactments in order to address concerns about manipulation and mismanagement of land and housing by private agencies. However, the results have not been very encouraging. It is now needed to remove regulatory bottle necks like rent controls, urban land ceiling act as well as policies that keep the density of development artificially low. Moreover, these institutions need to have a better land titling registration, record and management systems. This would require the local governments to establish better systems, based on the information technology like GIS, in order to deal with the complexity of land use management. Moreover, this would help them in raising finances for their operations through proper levy as well as collection of property and land tax.

But, more than this, the urban local governments need to enter agreements and partnerships for developing such schemes that provide for housing to LIG/EWS sections, which ensure that the advantages of private sector, e.g., market know-how, finances and technology, can be leveraged against the public allocation of land and development rights. Such partnerships can only ensure that the housing supply into the market is not of luxury housing by nature and provide a mechanism for the private and co-operative players to participate in the achievement of goals. One such good model was the development of Navi Mumbai by the CIDCO; however, here the affordable housing objective was only achieved with public house building. The potential for making use of these partnership activities and planning agreements has been under-looked in India and several other countries, whereas several advanced nations have used it to achieve the objectives of promoting economic growth and ensuring livable place for all their citizens. Singapore and UK are the examples of using public-private partnerships and planning obligations respectively to achieve the supply of low income housing.

Moreover, provisions for the supply of LIG/EWS housing were supposed to be made in Master plan or development plan of the city prepared by urban local government. However, this was given not much importance after the shift in national policy focus from direct provision to enabling. While the role of enabling sought a better understanding of market forces and using its expertise to get affordable housing (through partnerships, contracts and mandates), it did not envisage urban local government agency to merely set incentives and go into dark. The cities were supposed to set up a 'Shelter Fund' by pooling resources

available to them – both land and financial resources. Likewise, internal earmarking of house and plot development layouts for the poor in terms of the supply of small size tenements and plots would also have ensured the supply of these houses did not fall down. Offering incentives to the private developers incorporating houses or plots for the poor in the form of low development charges would also have ensured some supply, but no urban local government was interested in making use of the same. It is important to resort to these steps and to pool local government funds as well as raising resources through additional levy/cess on all new developments to create a 'Shelter Fund', which would finance low income housing schemes.

#### **4. Conclusion and Way Forward**

Affordable housing is a more serious issue that needs to be addressed by the cities if they have to continue to be on growth path and become more and more contributive to national GDP. The McKinsey urbanization report clearly states that unless affordable housing is developed in urban areas, new low-income migrants, like their predecessors, are likely to settle in slums, a socially undesirable development that inserts dagger into the heart of India's agenda of broad inclusion. Conversely, expanding the stock of affordable housing would bring in, in addition to social benefits, substantial economic advantages: more demand for construction, building material and housing finance, which in turn spur job creation and further economic growth. The Government of India Task Force has estimated that alleviating housing shortage could potentially raise the rate of economic growth (as measured by GDP growth rate) by at least 1-1.5 per cent and have a decisive impact on improving the basic quality of life.

The McKinsey urbanization report, based on the assessment of India's performance in providing affordable housing and the review of international experiences of select countries, has come out with a strategic approach to address the issue in terms of the following (the detailed interventions as part of the same are shown in Annexure 1):

- ✚ Planning for adequate number of housing units including earmarking land as part of the city master plan
- ✚ Making the economics work through a combination of mandates, incentives and beneficiary contributions
- ✚ Government acting as facilitator and a direct contributor
- ✚ Ensuring flexibility in housing size, format and ownership
- ✚ Ensuring an enabling institutional framework in place to make affordable housing sustainable

While providing adequate affordable housing is a daunting challenge that can only be met through public and private players, the political and bureaucratic will needed for achieving it appears to be emerging. The announcement of Rajiv Awas Yojana (RAY) as a major urban housing programme, which was built upon

Indira Awas Yojana, a rural housing programme, is a case in point. RAY seeks to improve upon the experience of IAY and formalize a framework for affordable housing, including the commitment of funds for achieving the same. With an annual outlay of Rs 15,000 crores, RAY is estimated to provide about 1.5 to 2 million units a year, which will lead to a good amount to increase in housing stock and also have a significant dent on formal housing market. Together with the scheme that provides for housing supply, there are several other measures required to be undertaken, which have been well articulated by the Taskforce on Affordable Housing and which needed to be incorporated into the policies, programmes and annual action plans of the respective levels of governments. Annexure 2 provides the key recommendations made by the Taskforce, some of which need to be translated into actions immediately.

Besides the central government effort, the State governments have to recognize the importance of issue and formulate policy, strategy and action plan for addressing it in a time bound manner with deployment of technical, manpower and financial resources for the same. They need to lay down incentives and mechanisms for the provision of housing through the following measures:

- Design of FAR/FSI incentive mechanism that cross-subsidizes the provision of affordable housing
- Constituting 'Shelter Fund' with mandated contributions from new developments and property in urban areas as well as inflows from various other sources so that it provides regular and sustainable funds for LIG/EWS housing
- Develop specialized housing agencies that can address the delivery issues in a better manner with planned budgets and time lines
- Provide guidelines for the cities to use earmarking of development plans/layouts for LIG/EWS groups and use planning obligations to ensure supply of housing for these groups by private developers
- Design partnership mechanisms that leverage private resources to speed-up housing supply, wherever possible

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**Key Public Interventions for Affordable Housing**

<b>Approach</b>	<b>Strategic Initiatives</b>
<p>Incorporate affordable housing into urban planning and allocate dedicated land for that purpose</p>	<ul style="list-style-type: none"> <li>○ Estimate housing requirements in every municipality and municipal area at least once in every five years and plan for space to accommodate demand</li> <li>○ Mandate allocation of 25% of space in all urban developments above an acre in tier 1 and 2 cities</li> </ul>
<p>Offer basket of incentives and subsidies to make affordable housing economics work</p>	<ul style="list-style-type: none"> <li>○ Offer three incentives to trigger around 500,000 affordable units a year on private land</li> <li>○ Offer the same three incentives but at different support levels to develop 1 million slum households annually</li> <li>○ Retain interest subsidies of 5-7% to make housing finance available to low income segments</li> <li>○ Create a favorable tax regime for affordable housing</li> </ul>
<p>Build a set target annual housing units on government land</p>	<ul style="list-style-type: none"> <li>○ Government should build 500,000 units annually on government land or on unviable slum land using the same set of incentives</li> </ul>
<p>Create flexible affordable housing solutions with 30 per cent rentals and 5-10 percent dormitories</p>	<ul style="list-style-type: none"> <li>○ Promote the development of mixed affordable housing</li> <li>○ Increase rental housing stock as an option for low income groups</li> <li>○ Create dormitories (with specified rents) of 150 sq ft as temporary housing options for migrant workers or the unemployed, particularly in industrial and commercial hubs</li> <li>○ Create incentives for companies to produce housing for blue-collar employees</li> </ul>
<p>Construct an enabling framework to bridge the affordability gap, including dedicated organization, a mortgage guarantee</p>	<ul style="list-style-type: none"> <li>○ Establish efficient and transparent process</li> <li>○ Consider setting up a mortgage guarantee fund</li> <li>○ Create corporatised agency for affordable housing under Metropolitan Development Authority</li> </ul>

fund and transparent process	<ul style="list-style-type: none"> <li>○ Consider creating rental management companies to operate and maintain rental stock</li> </ul>
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Source: MGI (2010)

## Annexure 2

### **Key Recommendations of Deepak Parekh Committee on Affordable Housing**

- Place affordable housing at the centre of public policy
- Estimate the number of households requiring affordable housing solutions
- Compile housing starts and estimate housing supply
- Bring in additional lands into urban usage on a regular basis by (i) Simplifying procedures and processes of land acquisition and conversion of agricultural land for urban usage (ii) Reviewing the processes of master planning and effecting such changes as necessary for assessing land requirements and allocating them for different uses, including lands for affordable housing
- Upward revision of FAR/FSI across cities commensurate with investment in infrastructure that it will necessitate and impose impact fee on the beneficiaries of it
- Develop detailed critical space plans incorporating infrastructure incentive cluster development
- Implement in-situ development in an integrated manner in partnership
- Security of tenure to be recognized as important and integral tool to relieve pressure on housing market
- Create healthy rental housing market under programmes like JNNURM
- Revamp the role of State Housing Boards and encourage them to playing more active role in the provision of affordable housing, even through public-private partnerships
- Funds raised through the sale of land transactions by State Housing Boards must be ring fenced, with a defined proportion redeployed only for affordable housing
- Impose a cess of 0.5 per cent on all central taxes to establish a dedicated Shelter Fund, to be managed by the National Housing Bank with government providing a budgetary support of equal amount
- Permit housing financial institutions (HFIs) to access long-term external commercial borrowing market as they require long-term funding sources at the lowest cost possible to pass on to the ultimate borrowers
- Modifications in Income Tax Act for HFCs and developers engaged in affordable housing projects
- Reduce stamp duty rates and registration fee for affordable housing to 2 per cent ad valorem uniformly in all states
- Levy a flat charge on registration of equitable mortgages



- ❑ Set up a housing finance company whose main focus will be on microfinance and support and scale up existing microfinance companies by effecting changes in their regulations that constrain their operations
- ❑ Low-rise high density built form recommended as an appropriate measure for upgrading, redevelopment or construction of housing projects for low income groups
- ❑ Set up a dedicated institutional framework to promote affordable housing
- ❑ Establish a real-estate regulator that could serve as a single window for overseeing and monitoring the affordable housing agenda, regulate activities, promote policy reform, etc. Until then, set up ombudsman-type bodies at the state level.

Source: The Construction World (2009) and Government of India (2008)