

NAYA PAKISTAN HOUSING PROGRAM



HOUSING AND DEVELOPMENT AUTHORITY

OUR COMMITMENT- PROSPEROUS PAKISTAN

PRELIMINARY CONCEPT PAPER



CONCEPTUAL OVERVIEW

Pakistan, like most developing countries, is facing an acute shortage of housing. This inadequacy is adversely affecting the living conditions of millions of people, particularly those who fall in the financially underserved segment of the populace. It is estimated that the annual demand of housing units is approximately 700,000 a year, whereas, only about half of this demand is met. On the whole, the housing deficit is estimated between ten to twelve million units and is growing every year

Increasing population, socio-economic challenges, shrinking real estate particularly in urban centres and lack of affordable housing finance facility are some of the factors that have led to a situation wherein millions of people are forced to live in shanty towns and slums. The combined volume of outstanding housing finance from banks and DFIs stands at a meagre 0.25 percent of the GDP and the terms and conditions of such finance are largely prohibitive, especially for the low-income segment of the society

To address this situation, the Prime Minister of Pakistan envisioned and initiated Naya Pakistan Housing Program (NPHP) as a measure of comprehensive socio-economic uplift and to realize the vision and goals mentioned above. Naya Pakistan Housing and Development Authority (NAPHDA) is a product of NPHP and is mandated to serve as a 'One Stop Shop' to eradicate all impediments and to strategize and execute a wide-ranging plan to attain the objectives set by the Prime Minister's vision

Keeping in view the enormity of the task and challenges involved in building low-cost housing units that are affordable for the underprivileged, it is essential to work on multiple approaches and to evolve several financial models, encompassing collaboration with domestic builders / investors / entrepreneurs as well as international and multi-national organizations / business entities

It is not only the financial and business models that need to be diverse and flexible but also the development and construction models. The demography, socio-cultural fabric, way of life and preference for housing

not only varies from one province / region to the other but is fundamentally different in urban and rural areas

The three major challenges that the financial and development models would have to address are: 1) incentivizing banks and Development Finance Institutions (DFIs) to willingly finance the housing projects, 2) creating new financial institutions and restructuring existing ones to establish an all-inclusive and viable structure / system of housing mortgage, and 3) keeping the cost / payment schedule of low-cost component within easy reach of the underserved segment of the society

To meet the challenges impinging on housing finance a number of regulatory requirements would have to be adjusted. Furthermore, necessary incentives would be created for the builders and developers, both domestic and foreign

Financing facility meant for housing of Special Segments, including widows, transgenders and special persons would involve greater subsidies and would require special facilitation, details of which are not covered in this paper

NAPHDA is actively engaged in consultations with all stakeholders, including government ministries / departments, banks, financial institution, builders / investors and concerned industrialists. This preliminary concept paper, including the financial framework proposed in it, is based on certain assumptions and discussions held so far with the concerned stakeholders and is by no means final. Hence, the entire concept remains flexible and dynamic to cope with changes that may come about as the concept matures

Development Perspective

- NAPHDA seeks to develop quality housing at affordable price for low to medium income groups in urban, peri-urban and rural areas. Clusters of housing complexes will be created in a progressive manner, all over the Country. These housing colonies will have a mix of housing units for various income groups and will foster social cohesion. The planned breakdown of estimated volume, based on preliminary survey / planning, is as under:

- **Urban Centres** 2 Million Housing units - **40%**
- **Peri-Urban Areas** 1 Million Housing units - **20%**
- **Rural Areas** 2 Million Housing units - **40%**

Total: 5 Million Housing units

Housing - Urban Centres

- Mega housing colonies comprising apartment buildings will be constructed all across the country in accordance with the demand in various cities
- The urban housing colonies will be developed at carefully selected locations within / around the urban centres that are adequately linked to communication arteries to facilitate daily commutation of residents to respective workplaces
- Multiple colonies may be developed in the bigger cities depending on and in line with the demand, without causing saturation
- The colonies will have mixed clusters of low-cost / medium end residential apartments for allotment to members through ballot, high-end residential apartments for sale on commercial rates, variety of commercial units such as shops, restaurants, malls etcetera and amenities such as education institutions, hospitals / healthcare centres, parks, community centres and mosques etcetera

- These, colonies will thus be self-sufficient housing enclaves within a city, compliant to contemporary housing and environmental standards

Housing - Peri-Urban Areas

- Development of peri-urban housing colonies will generally be similar to urban centres, however the design and configuration of apartment blocks and business plan may differ for one area to the other

Housing - Rural Areas

- While developing rural housing complexes, an entirely different approach will be adopted. The nuances of village life and housing preferences of respective regions would be given due consideration. One to two storied semidetached houses will be constructed on an area of 650 - 900 square feet with basic amenities (water, electricity, sewerage system). These houses will essentially be made for residents of respective villages / adjoining localities

Business Concept

- NAPHDA's business concept is based on Public Private Partnership model, offering incentives to Private Sector investors in participatory mode
- Government's noble intent of providing housing to the underserved at affordable price can only be realized by adopting all possible measures to limit / cap the price of houses for low / medium income members
- This will be achieved, on one hand, through economical design specifications with optimal use of covered area and controlled construction cost, while on the other hand, a significant cross-subsidy will constitute an essential feature of the financial model
- The cross-subsidy will be planned in urban / peri-urban areas for the low-income group. For the medium income group, the houses will be allotted on cost basis, without any profit. The model of cross-subsidy cannot be created in rural areas and housing units there will have to be allotted on

cost basis which will, however, be significantly less than urban centres / peri-urban areas

- NAPHDA will have the overarching role of a Partner and Client. Besides provision of developed land for most projects, it will also oversee the design of the low / medium cost houses and ensure the quality of construction
- This business model has been conceived as under:
 - **Land:** In most cases, procurement, town planning and infrastructure development of land will be the responsibility of NAPHDA. It will acquire land commercially and also seek allotment of Government lands, where possible. In some cases, land offered as donation and / or equity in a Joint Venture may also be used
 - **Land Use in Urban / Peri-Urban Housing Colonies:** The land use plan of housing colonies will comply with established standards of infrastructure / town planning for housing schemes. Substantial area will be reserved for construction of housing units for low and medium income members. An appropriate percentage of land will be apportioned to the high-end housing units, about 5% to commercial areas and 2-5% to amenities
 - **Design of Residential Apartments in Urban / Peri-Urban Areas:** NAPHDA will provide the design of low and medium cost apartments. However, the design and architecture of high-end apartment buildings will be decided in consultation with the respective investor, to whom assigned. Nevertheless, the limits of covered area laid down by NAPHDA will be followed
 - There may be some variations in the abovementioned business, e.g. construction and handing over of low-cost houses as a Corporate Social Responsibility by corporate entities or provision of developed / un-developed land by some investor as equity. Such proposals will

be duly considered as per the feasibility and financial model of respective project

Financing Structure

- Investor's Equity - 30 %
- Bank Financing - 50 %
- Owner's Equity - 20 % (10 % annually)

- The developer and investor's equity in low-cost component will convert into home owner loans by the commercial banks and DFIs on its handing over to the owner. NAPHDA will facilitate the entire process

Profit Sharing

- NAPHDA will have 100% share of amenity plots while it will have a proportionate share in commercial plots based on the overall financial model of respective projects

- Profit will be made from sale of high-end residential apartments and commercial plots / units, as the case may be. A portion of this profit would be used to create cross-subsidy for the low-cost housing units while the remaining portion would be shared proportionately between NAPHDA and the investor / builder as per the agreement. However, it would be ensured that the investors / builders get a healthy return on their investment. The portion of profit that would come to NAPHDA will be used to meet the cost of land / development cost of land and establishment cost

Incentive for Investors

- Government of Pakistan being mindful of market dynamics is planning an investment friendly environment for “Naya Pakistan Housing Projects”. Some of the measures under consideration are:
 - Facilitation in project approvals through one window operation by NAPHDA
 - No tax on any capital gains arising on activities related to NAPHDA
 - No tax on any income arising in Pakistan if the investment is by way of loans and advances to NAPHDA

CONCLUSION

Naya Pakistan Housing Program is the single largest measure of socio-economic uplift ever conceived in the history of Pakistan. It is a noble cause which would not only change the lives of millions of people but will also give a significant boost to the national economy. Hence, the Government of Pakistan and NAPHDA will leave no stone unturned to realize this mission and will offer all possible incentives and facilitation to partners who decide to partake in this program