

# PPPs IN AFFORDABLE HOUSING

## SHARING BIHAR'S PERSPECTIVE

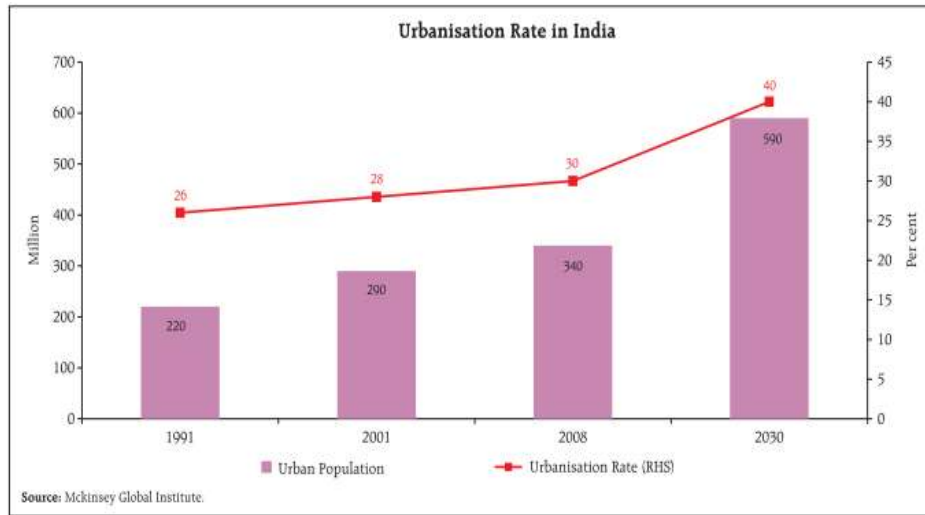


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# AFFORDABLE HOUSING SCENARIO IN INDIA

According to the McKinsey Report (2010), India will have 40 per cent of its population living in urban areas.

Consequently, the potential market size for affordable housing in urban India is forecasted to grow to 38 million in 2030



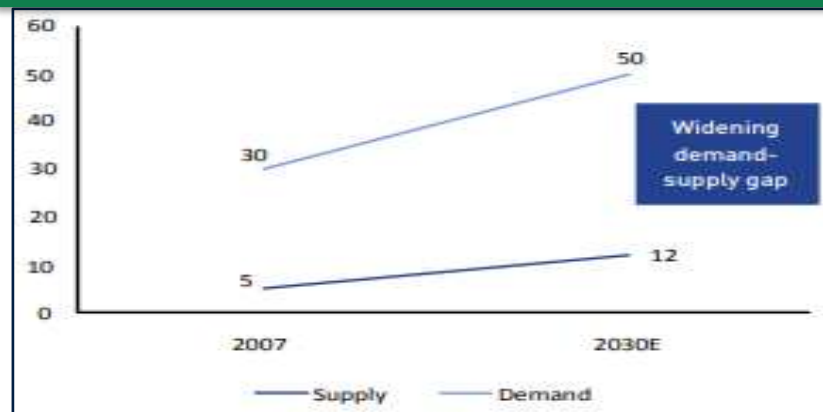
## Key Factors driving growth in demand for AH include:

1. Rapid Urbanization: India's urban population is forecasted to grow to 590 million by 2030
2. Rising demand for affordable houses: With home prices far outpacing general inflation and wage growth, premium houses in Tier I cities have largely become unaffordable, increasing demand for affordable houses
3. A culture of Home ownership

# AFFORDABLE HOUSING SCENARIO IN INDIA – DEMAND SUPPLY GAP

- Rapid urbanisation has given rise to development challenges in the form of urban congestion, pressure on basic amenities like water and sanitation and most importantly, severe housing shortages in cities, especially, in the low cost segment.
- As per the Report of the Technical Group (TG-12) on Estimation of Urban Housing Shortage (2012), there is a huge gap in demand and supply of urban housing in India.
- Housing development has primarily focused on creating stock for MIG+ segment of the society, which has been the focus of private sector, due to higher returns.
- Over the last decade, select real estate developers have developed projects for LIG, but EWS housing has been neglected.
- EWS and LIG accounts for 96% of the total housing shortage in India.

Shortage of affordable housing (million units)



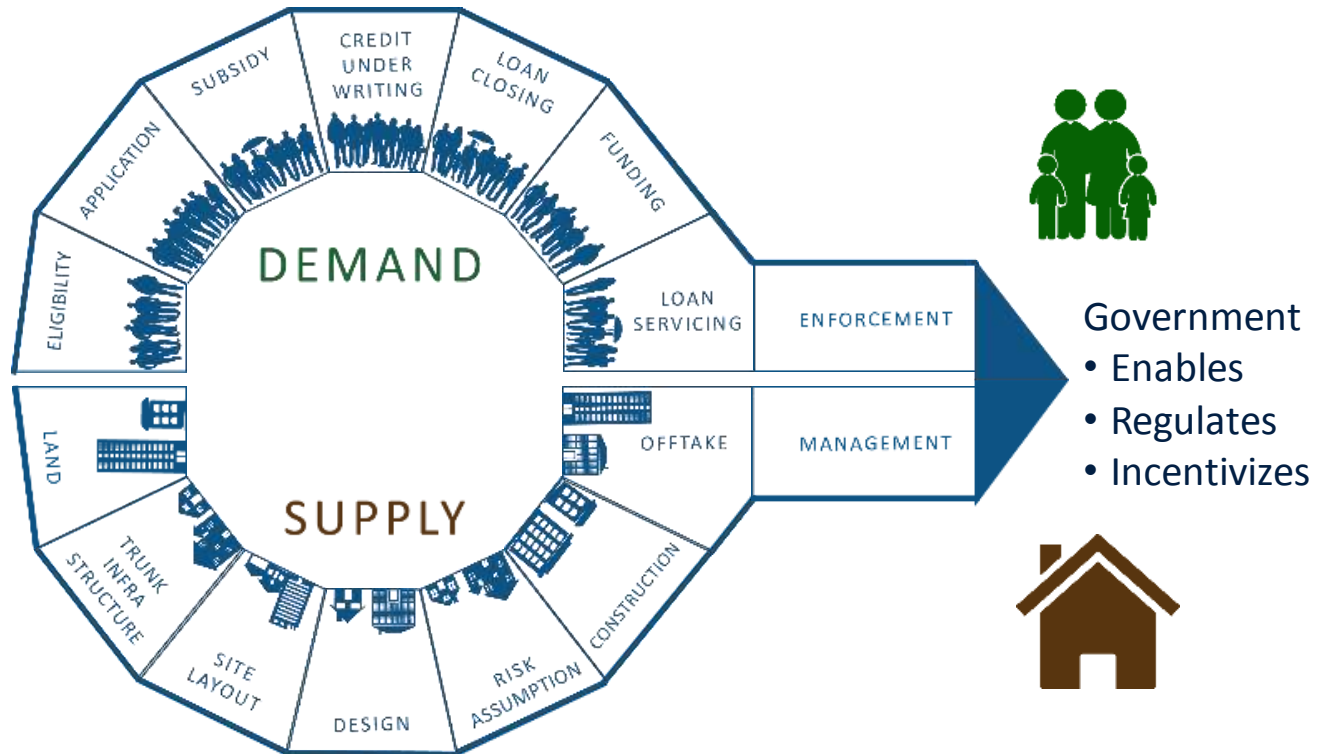
Estimation of urban housing shortage in India (mn)

Factors	As at end-2012
Households living in non-serviceable katcha houses	0.99
Households living in obsolescent houses	2.27
Households living in congested houses	14.99
Households in homeless condition	0.53
<b>Total Urban Housing shortage</b>	<b>18.78</b>
I. Economically Weaker Sections (EWS)	10.55 (56%)
II. Low Income Group (LIG)	7.41 (40%)
III. Medium and High income group (MIG+HIG)	0.82 (4%)

Source: Report of Technical Group (TG-12) on Estimation of Urban Housing Shortage 2012. Ministry of Housing & Urban Poverty Alleviation.

# AFFORDABLE HOUSING ECO-SYSTEM

- Multiple stakeholders
- Each relies on the next
- Always an opportunity to improvise the chain



## Supply Side Issues

- Suitability of project site
- Availability of trunk infrastructure
- Limited appetite for affordable housing projects

## Demand Side Issues

- Affordability of the weaker section
- Identification of beneficiaries
- Availability of home mortgage products / low mortgage penetration

# POLICIES AND INITIATIVES BY GOVERNMENT OF INDIA- POST 2000

## Jawaharlal Nehru National Urban Renewal Mission 2002-05

- Aimed to reform the property tax system, rationalize tariffs to augment local government finances and boost investment in urban infrastructure

## Rajiv Awas Yojana (RAY) – 2011-13

- Provision of Integrated Slum redevelopment and AH program with assistance from Central government.
- Provides for contribution of 50% of the capital and O&M cost by the central government towards provision of civic and social infrastructure and housing units.
- RAY envisaged creating social/rental housing building AH stocks in peri-urban areas, and undertaking slum-rehabilitation projects jointly with private sector

## Pradhan Mantri Awas Yojana - Urban (PMAY- U) 2015

- PMAY-Urban (PMAY-U) subsumes all the previous urban housing schemes and aims at 'Housing for All' to be achieved by the year 2022.

## Union Budget 2017-18

- Granting infrastructure status to AH
- increasing the time for project completion to affordable housing promoters from earlier three years to five years;
- revision of the qualifying criteria for affordable housing from saleable area to the carpet area;
- announcement of a new CLSS for the MIG
- refinancing facility by National Housing Bank for individual loans for AH segment.

- ***Public-Private Partnerships(PPP) have emerged as the preferred mode of AH Development***
- ***Bihar like many other states announced its AH Policy in 2017 linked to Gol schemes***

# WHY PUBLIC PRIVATE PARTNERSHIPS?

Housing development under a PPP model can help simultaneously solve several housing sector challenges, and help create a vibrant ecosystem

## Can enable appropriate allocation of risks and responsibilities between stakeholders

	Government	Private sector
Resources provided	<ul style="list-style-type: none"><li>• Land (including viable title)</li><li>• Trunk infrastructure to site</li><li>• Permits and approvals</li><li>• Beneficiary identification and allotment of housing stock</li></ul>	<ul style="list-style-type: none"><li>• Efficient Design and construction expertise</li><li>• Construction financing</li><li>• Performance oriented development and O&amp;M</li></ul>
Benefits realized	<ul style="list-style-type: none"><li>• Expeditious development of affordable housing</li><li>• Price caps for affordable housing in line with target households' income levels</li><li>• Limited / no cash outlay</li></ul>	<ul style="list-style-type: none"><li>• Balanced risk sharing</li><li>• Fast and efficient delivery of affordable housing</li><li>• Long term O&amp;M</li></ul>

# PROJECT- AFFORDABLE HOUSING PPP IN BIHAR PROJECT

To develop a State-wide network of green affordable housing projects for EWS and LIG beneficiaries at multiple locations on sites provided by Government of Bihar, to be developed on PPP basis under the state's Affordable Housing Policy of 2017.

- Bihar is the third most populous state of India with total population of 103.8 million
- Share of urban population in State's total population has doubled in last 70 years i.e., from 6.42% in 1951 to 11.3% in 2011.
- An estimate by the Urban Development & Housing Department(Govt. of Bihar) indicates hat the total housing shortage in urban Bihar is ~0.7 million, out of which more than 85% is in the Economically Weaker Sections (EWS) and Low-Income Group (LIG) categories
  - ~ Annual income less than US\$ 9000.



- ***Govt. of Bihar has engaged IFC for advising on structuring and implementing the first AH PPP in Bihar***

# ROLE/RISK ALLOCATION (INDICATIVE)

## Government (UDHD)

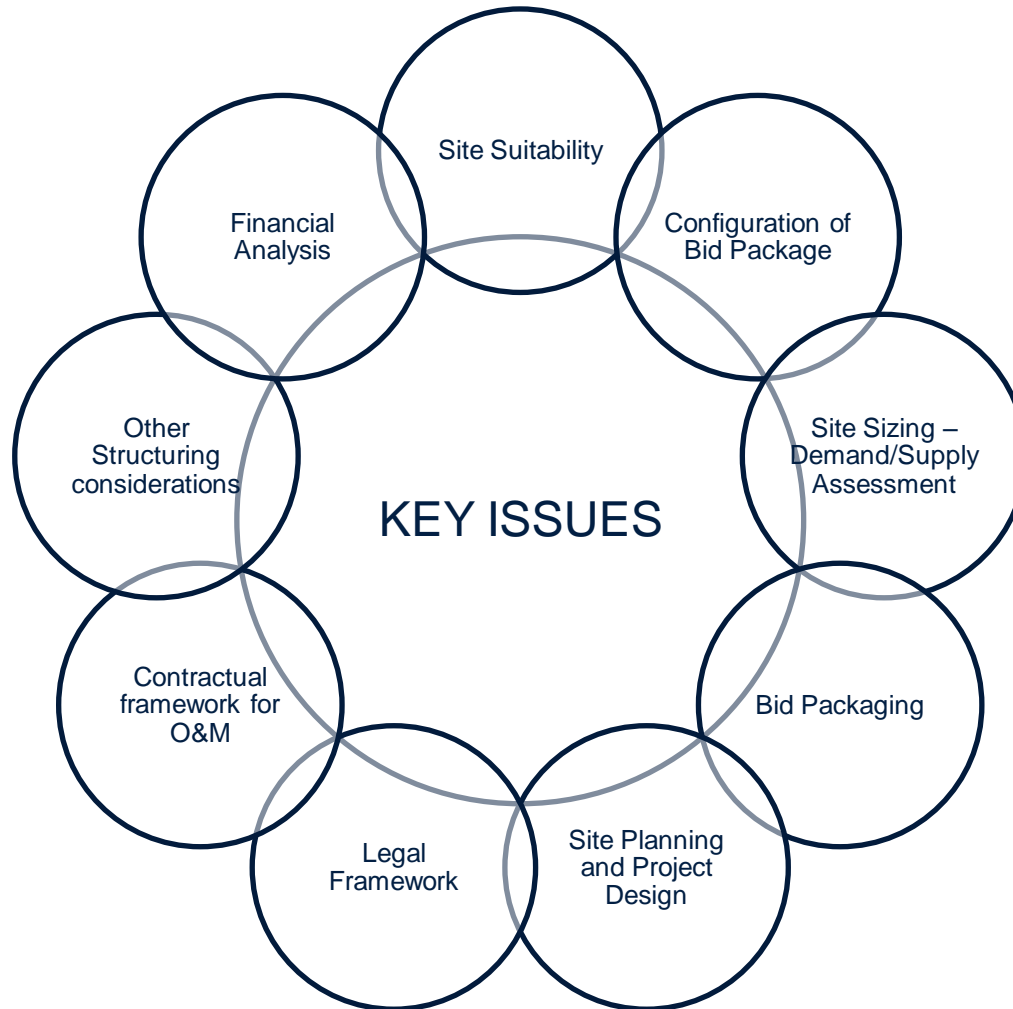
- Provide unencumbered project sites
- Oversee and approve project structure
- Undertake competitive bidding for selecting private Concessionaire with assistance from IFC
- Undertake process to secure GoI PMAY subsidies
- Fix EWS/ LIG unit prices, identify EWS / LIG beneficiaries and allot housing units to them
- Collect payment from EWS / LIG allottees
- Monitor the performance of Concessionaire
- Provide grant payment to the Concessionaire (to be determined through competitive bidding) linked to the performance

## Private Sector Concessionaire

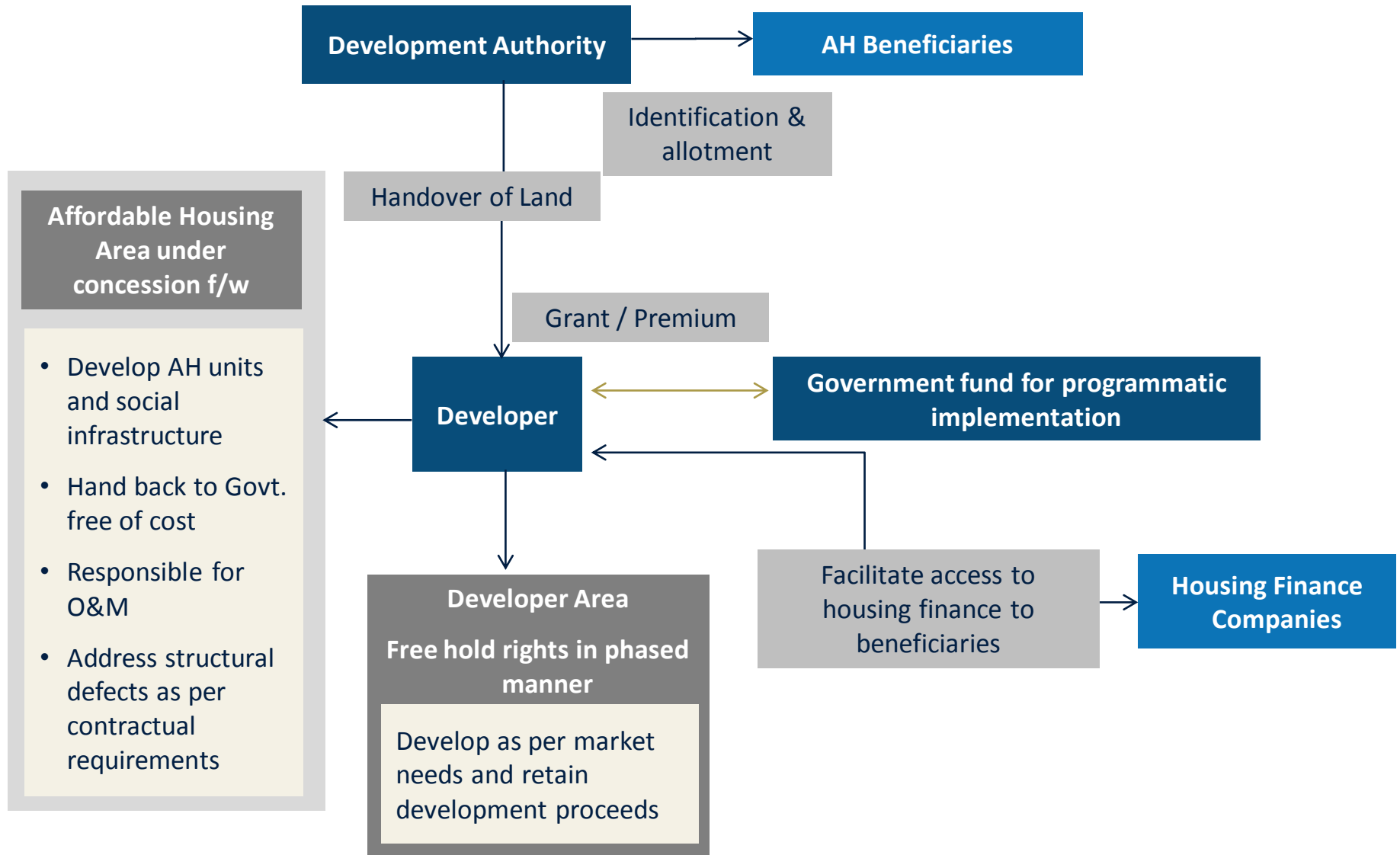
- Design of the overall affordable housing area including unit design
- Finance and construct specified number of EWS/ LIG housing units per specified specifications and timelines
- Guarantee structural integrity of the affordable housing construction
- Undertake long-term operation and maintenance of the internal common infrastructure of the affordable housing area
- Facilitate access to housing finance to the identified EWS/LIG beneficiaries.



# KEY STRUCTURING ISSUES



# TRANSACTION STRUCTURE – ODISHA PPP



# INVESTMENT OPPORTUNITY- US\$ 150 MILLION IN BIHAR AH PPP

- Due diligence and Project structuring underway
- Bids to be launched by Q3 CY19
- Likely to be awarded by Q1 CY 20
- Opportunity to enter the much bigger Indian/South Asian market

# Thank you

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