

# 07 AFFORDABLE HOUSING



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GREEN BUILDING

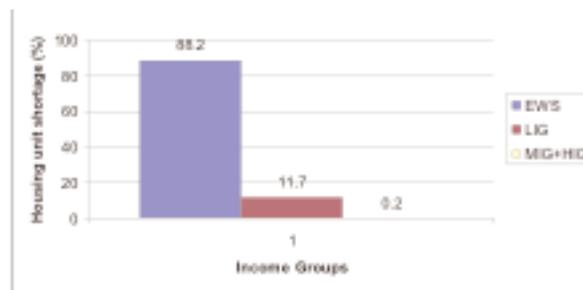


## EXTENT OF PROBLEM

As per Government estimates, the total housing shortage in the urban areas, at the beginning of the 11<sup>th</sup> Plan period was around 24.71 million units (see fig 1) and is likely to go up to 26.53 million units by 2012<sup>i</sup>. Unofficially the deficit stands at more than 40 million, growing at 10% each year<sup>ii</sup>.

The urban situation is equally appalling with 99 per cent of the housing shortage pertaining to the Economically Weaker Section (EWS) and Low Income Group (LIG) categories. Often there Affordable housing and low cost housing are used as synonyms, although they differ a great deal from each other. Low-cost housing is generally meant for the Economically Weaker Sections (EWS) categories and comprises bare minimum housing facilities while affordable housing is generally meant for people from Low Income Groups (LIG) and Middle Income Groups (MIG).

**Fig 1: Housing shortage in India according to income groups**



Source: Anon, 2009, Fortieth Report Standing Committee on Urban Development (2008-2009), Ministry Of Housing And Urban Poverty Alleviation, March

Infact the inadequacy of housing stock and lack of spaces for house these units in Indian cities manifest in the form of growth in slum and squatter settlements. It is the 6% growth of slums that is fast outstripping the growth in urbanization in India and its cities at 3% and 4% respectively. According to UN Habitat India is adding 4.4 million people to slums every year and 202 million Indians will be residing in slums by 2020<sup>iii</sup>.

## CONFUSION OVER DEFINITION

There is much confusion and debate about how to define affordability. The meaning of affordability may take different connotation for people based on their incomes. Similarly the concept takes different meanings for builders, governments, finance agencies, architects etc.

Several experts' have questioned, what defines affordability. Does it imply owning a house where one wants, or ability to buy it at a price one can afford or both? Generally houses in a bracket between 5-15 lakhs are considered falling in affordable housing bracket<sup>iv</sup>.

## KEY GOVERNMENT INITIATIVES

The Government of India in 2007 declared the national housing and habitat policy, 2007. This is essentially a guiding document, which promotes measures like reserving 10-15%

### Box 1: How the Government perceives Affordability?

The Ministry of Housing and Urban Poverty Alleviation has reasoned affordable as following

- Someone should give a loan for that amount.
- That amount should be repayable within the working life of the householder [working life longer for an office goer and shorter for an manual/physical worker]
- The EMI's shouldn't be more than 40% of monthly income to ensure that the family is catered to by the remaining income
- The size of the house should be 300 sqft at the bare-minimum, going up as the affordability increases.

Generally the thumb rule in terms affordable houses, for the purpose of governmental schemes, are taken as houses ranging from about 300 square feet (super built up area) for EWS, 500 square feet for LIG and 600 to 1200 square feet for MIG, at costs that permit repayment of home loans in monthly installments not exceeding 30 per cent to 40 per cent of the monthly income of the buyer.

*Source: Khan Harun, 2012, Enabling Affordable Housing for All – Issues and Challenges, RBI Monthly Bulletin, May*

land and 20-25% FAR in the upcoming housing projects for the affordable housing. The policy also provides opportunities to the private sector for creation of such housing stock through land assembly. Importantly the housing policy strives for in-situ development and states that housing for the poor residing in urban areas should be within their present locations and close to their workplaces. Another widely publicised programme in the sector of affordable housing is Rajiv Awas Yojna (RAY), which aimed for slum free India by 2014. The intention is to bring the existing slums within the formal systems by providing land rights to the slum dwellers. The Mortgage Guarantee Fund announced in 2011-12 is aligned with the RAY. A massive corpus of 10 billion rupees was created for creating housing stock, administered by the National Housing Bank. In addition there is an Interest Subsidy Scheme for Housing for Urban Poor (ISHUP) offers a 5% subsidy on interest subsidy on housing loans upto one lakh rupees to people belonging to EWS and LIG for both home purchase and construction<sup>v</sup>.

In this year's budget (2012-13) too the government offered several sops to the sector. The affordable housing projects have been offered permission to tap the cheaper channel of external commercial borrowings (ECBs) and exemption from service tax. Apart from that the tax credit developers can get and the extended interest relief for borrowers<sup>vi</sup>. Several states have attempted to give a boost to the affordable housing by announcing favorable policies and schemes. For instance Maharashtra, is in favour of sharing 1/4th of the land cost if targeted sections show interest in acquiring land for housing. The state of Rajasthan has facilitated clearances in addition to allotting land to projects for affordable housing. Tamil Nadu in its budget has planned to give greater Floor Space Index (FSI) to such projects without charging premium which is the case for regular projects.

### CONSTRAINTS IN ITS REACH?

The key factors that play an important role in impacting demand include income levels of the targeted population, the status of economy etc. On the side of supply availability of land, finance at reasonable terms, infrastructure, regulatory framework condition the supply side in affordable housing.

- **Land availability-** the price of land is probably the single most important determining factor in cost of housing. By some estimates land cost may end up accounting for more

than 70% of the total cost and with it becoming a scarce commodity there is increase demand for housing and other infrastructure projects<sup>vii</sup>. Time lost in clearances also adds to the cost of land and ultimately housing. If the land cost remains high it would become increasingly difficult to give city based Locational advantages to the residents of these affordable housing units. Several experts believe that provision of land banks by government within the city could solve this problem to some extent. The high density, land prices and high cost of construction make affordable housing efforts more difficult in metro cities as opposed to the tier II and III cities. Cooperative housing can play a vital role in facilitating provision of houses in this sector.

- **Exclusion from formal finance systems-** Another serious constraint is that very large majority of the people in India are still not included in the formal banking/financial systems therefore limiting their access to housing finance. Although there has been significant spurt in the housing finance market but an overwhelming proportion belong to the high and middle income groups. Often the lack of required documents, collateral, experience of these poorer sections coupled with skepticism and fewer schemes for this income group by the banking/financing institutions has limited its reach. An indication of its poor outreach is demonstrated by the fact that in India the mortgage to GDP ratio is estimated at around 7% as opposed to 51% in USA and 20% in south east Asia<sup>viii</sup>.
- **Poor quality of construction-** Often low cost housing translates into low quality construction. To keep the price in the affordable limits the quality of materials, design etc. takes a back seat. According to BEE in Delhi for example 85% of the households use less than 1000 Kwh/hour/month energy<sup>ix</sup>. This is a sizable population which belongs to LIG and EWS. BEE agrees that it is this segment that we need to consider carefully since they often don't have the means to use high end appliances especially air conditioners etc. for thermal comfort. Therefore design and building material plays an important role in providing them the adequate comfort. In addition safety concerns are also very important since poor material can lead to building collapse and cause damage to life and property.
- **Poor design-** often the poor in the name of affordable housing are provided small sized single room units which create unlivable conditions. In addition these units have very high density which makes them not very different from slum conditions. Similarly a large majority of people living in these units are in professions and small time business which require specific design consideration. In absence of such sensitivity these housing units may not be occupied as intended and be misused.
- **Private developers lack interest-** Research firms show that developers involved in the low-income housing in India target the lower middle income group (Rs. 7000 -20000 per month), but not often LIG or EWS. As a result the housing units between the price range of 3-10 lakhs are been constructed. But there are very few developers that are reaching income brackets below 7000 rupees per month which number about 100 million<sup>x</sup>. But experience around the world shows that it would not be sensible to delink government from affordable housing and leave them in the hands of private developers.
- **Location-** Affordability is very closely linked with the location of the housing unit. Majority of the poor work in the informal sector and there is little doubt that they would have serious concerns if their expenditure on transport increases. In addition rise in travel time would affect their work hours and thus their incomes. Therefore often resettlement of poor has faced critique for creating more problems for them than solving them<sup>xi</sup>.

## Box 2: Innovative green design for homeless: Night shelters

Winter and Summer months are particularly challenging for those who live in the open. In 2008, around 30 voluntary organisations formed a coalition – "Shahri Adhikar Manch – Begharon ke Liye" (SAM-BKL: Urban Rights Forum for the Homeless in Delhi) and have been fighting for the rights of homeless including night shelters during extreme weather.

The Slum & JJ (Jhuggie Jhomprie) Department in Delhi, since its formation in 1962 has been shifted back and forth between MCD (Municipal Corporation of Delhi) and DDA (Delhi Development Authority). With repeated intervention of courts (Delhi High Court in Delhi and Supreme Court at the national level in recent years, this department has metamorphosed into the Delhi Urban Shelter Improvement Board (DUSIB) on 1st July 2010, part of the Delhi Government.

DUSIB has set up 153 ( 64 permanent and 89 temporary) shelters in 2010-11 and 141 shelters (so far) in 2011-12. ( 64 permanent and 77 temporary) The permanent shelters are directly managed by DUSIB in various public buildings with the cooperation of other government agencies. Mother NGO acts as nodal agency on behalf of DUSIB to manage the temporary shelters. There are over 30 NGOs managing the 77 temporary shelters.

### Green design for the comfort of the homeless

IGSSS (Indo Global Social Service Society) which took the lead in forming SAM-BKL in 2008 had 'micro Home Solutions' (mHS) design a comfortable shelter with easily workable materials such as canvas, chicken mesh, bamboo and ropes; all eco-friendly and inexpensive. They were in fact erected with mostly volunteer help. It has a double layer wall construction made of canvas cloth stretched over a bamboo frame. The air trapped in the 'envelope' formed by the canvas insulates the interior from the cold. These shelters have been in operation ever since and are well-maintained.

Ram Nivas, the caretaker of the 'green' shelter shows the monthly occupancy sheets and says 'This shelter is comfortable round the year and is always fully occupied. The double-layer wall keeps the cold and heat out.' The inclined roof made of waterproof sheet on bamboo frame also has a provision on the side to open windwards to allow ventilation when necessary. The roof height of 5.5m allows for three tier bunk beds and still leaves enough head room for fresh air, particularly during the summer.

This shows there is considerable scope of innovation even in poor people's home for improving the comfort levels of the dwellers in a resource efficient way.

- **Blanket affordability-** In India housing unit size is directly related to affordability. But different cities this is likely to differ. Although income levels of urban poor in cities like Mumbai, Delhi would be higher but it would be very difficult for them to own respectable space in the city and build a home. But in other smaller cities even though land prices may be comparatively lower but the income levels for EWS households may be very low even to afford house in the existing prices. Therefore local price and land factors need to be acknowledged in designing policies for affordable housing.
- **Low priority to rental housing-** There is also important not to ignore the role of rental housing in affordable housing market. About 80 percent of low-income rental units in India exist in the informal market. These rented out place often in central city area which are closer to workplaces for the poor and are a classic case of poor renting to poor at affordable rents. They exist in slums, resettlement and illegal colonies and act as secondary source of income for the landlords. Infact they are considered the best option for the migrant labourers who come to the cities seasonally for work. But renting especially those in informal settings has not been given priority in government

policies as opposed to ownership, when appropriate policies for these rental spaces can go a long way in solving the housing problem in cities for the urban poor. For example in Mumbai, only 0.5% housing units were provided to the poor when the goal was 500000 affordable rental units by 2012<sup>xii</sup>.

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