

Experience sharing workshop

“Building Sense: Towards climate responsive affordable housing”

March 7, 2016

Briefing note

Without inclusive planning cities cannot improve resource efficiency and quality of life of all. Also green building norms have failed to improve comfort and quality of life of the poor

Why this dialogue?

Several policies are taking shape to address the shortfall in housing for the urban masses especially the urban poor. If not crafted well and implemented properly these may not deliver on the intended objectives.

The ‘Housing for All’ policy has been put in place replacing the older schemes of JNNURM and Rajiv Awas Yojana; smart city programme will set new terms of urban planning; the Union Budget has proposed tax sops for developers to provide affordable housing; affordable housing policy mandates at least 15% of housing stock to be in the affordable segment; there is a proposal for rental schemes for the shelter less; Delhi Master Plan has been amended to address the weaker section and density requirements; transit oriented development policy is taking shape in Delhi to prescribe housing needs close to transit areas. At the same time green building norms are shaping up to promote resource efficiency in the building sector to reduce the environmental impact of frenetic construction and changing lifestyle.

All these policies together will shape the terms of urban planning and catalyse massive investments in cities. These have opened up new opportunities and possibilities. If these are not interlinked effectively to deliver on inclusive growth and resource efficiency, it may lead to unintended consequences.

The key concerns

Massive shortfall in housing; maximum in housing for the poor: According to the estimates of the Ministry of Housing and Poverty Alleviation (MoHPA) there is a shortfall of at least 18.6 million dwelling units in the country. An astounding 95% of this shortfall is in the economically weaker section (EWS) and low income groups (LIG). While the shortfall in the middle income and higher income group is only 4.38%, in the EWS it is 56% and in LIG 39.4%. Unofficial estimate of the overall housing shortfall is put at 40 million. Bridging this gap is the challenge of all housing policies.

Though the urban informal sector contributes substantially to the urban GDP, those part of it face the biggest housing crunch: Participatory Research in Asia 2013 estimates shows that urban sector accounts for 60% of GDP. The contribution of informal sector to urban GDP is 7.58% and to the country's GDP 4.5%. Yet, cities have not been able to provide enough land to house this section. According to the UN Habitat, India is adding 4.4 million people to informal settlements or *slums* every year. 202 million Indians will be in informal settlements in 2020. Poor people's settlements are growing at 6% annually – outstripping urban growth rate of 3.4%. 2011 census shows that 13.75 million households in informal settlements. This is a spontaneous and legitimate part of urban growth that needs to be integrated with the formal planning process through participatory approaches. All income classes need to contribute towards defining of the shape, design and quality of services in the city.

Formal housing has failed miserably to meet the housing needs of all: The track record of all housing policy in the last few years have shown poor track record in providing for lower income categories. Under the JNNURM scheme out of 14.4 lakh dwelling units planned only 8.31 lakh have been completed. Under the recently dismantled Rajiv Awas Yojana scheme out of 1.2 lakh approved units only 1,154 have been completed. Under affordable housing policy out of 20,472 planned, only 4528 have been completed. Only a few lakh units have been created when the short fall is as high as 18.6 million. State governments have additional schemes. Informal settlements are a home grown and organic response to this failure. An earlier estimate of Institute of Urbanology estimates shows that -- between 1997 and 2002 – the government and builders together built 500,000 houses in urban India but people built 8.5 million units in informal settlements. Are the emerging policies designed to bridge this gap?

For whom is this affordable? Mega cities with phenomenal land prices are not only out pricing the poor but also the middle income group. Land cost can be more than 50-70% of the cost of the property. High land and construction costs make housing quite unaffordable in metro cities. High land cost can compromise choice of sites with locational advantages for the urban majority. For instance, according to the estimates of DDA-UTTIPPEC only 18% of households in Delhi earn above Rs 60,000 a month. The existing housing market takes care of their need. About 22% are in the middle income bracket of Rs 30,000 –Rs 60,000 per month. Housing for them is very limited. As much as 55% are in the income range of Rs 5000 to Rs 60,000 per month. They largely live in informal settlements. About 4.5% earn below Rs 5000 and are largely shelter less or live in slums. Poor is a highly stratified class. Housing units are needed for all these classes.

Pressure building up to relax the definition of EWS -- the real poor may not benefit: In 2012 MoHUPA's report EWS and LIG category are defined as households with annual income less than Rs. 1 lakh and 2 lakh respectively. But while designing the Housing for All scheme incentives and subsidies have been extended to households with annual income of 3-6 lakhs respectively. Similarly, the new Union Budget has given fiscal incentives and tax exemptions to

developers to promote EWS and LIG housing. This scheme is applicable to flats of size upto 30 sqm in the four metros and 60 sqm in rest of the cities that cost upto Rs 50 lakh. But CREDAI – the real estate body, has requested the Finance minister to extend the scheme to include flats upto 60 sqm in the four metro and 90 sqm in others. This is clearly pushing towards high end and more expensive smaller studio units that EWS and LIG households cannot afford. This improves the marketing prospects of the private developers who resent little profit margin in the lowest end. This reduces supply for the bottom rung where the shortfall is 96%. Pradhan Mantri Awaas Yojana defines Affordable Housing Project as Housing projects where 35% of the houses are constructed for EWS category. There is no clarity yet about how much would get built.

Risk of subsidies for affordable housing going to upper strata -- policies must ensure subsidized units are occupied and not remain 'vacant' houses for speculation: All new housing policies are aiming to promote real estate investment through private capital with subsidy. It is ironical that while the urban India is facing such huge housing crunch a large stock of new housing is lying vacant. According to the 2011 census, in urban India 11.09 million units are vacant and 0.73 million are occupied but locked. But the shortfall in housing is 18.6 million units. Delhi has 4.5 million houses but 11% are vacant. The crucial need is to ensure people get access to existing and new housing to lessen the burden to build newer units. This also means that if the incentive programme for the affordable housing is not designed and implemented well it may further incite misuse of subsidy available for affordable housing for speculation and defeat the purpose of meeting the housing need of all poor.

The tax sop for affordable housing can end up being a stimulus package for the real estate industry without meeting the objective of keeping the housing stock affordable for the economically weaker section: The Union budget for 2016-17, has proposed 100% tax rebate for profits to an undertaking from a housing project for flats up to 30 sq. metres in four metro cities and 60 sq. metres in other cities approved during June 2016 to March 2019, and completed within three years of the approval. For the 'first-home buyers', deduction for additional interest will be allowed provided the value of the house does not exceed Rs 50 lakh. This is a stimulus to developers to undertake housing projects with smaller dwelling units but this is not linked with what economically weaker sections can afford. For instance 30sqm flat in the 4 metros and 60sqm in rest of the cities can be developed as high-end studio apartments of cost range higher than Rs 50 lakh. This will not meet the requirement of the low income groups. This raises questions - what safeguards can ensure adequate supply of housing units for EWS, .

The smart city tag for Delhi's NDMC area wars with basic principle of inclusive development. Delhi has the most sparsely populated central core compared to all prominent global cities. New Delhi's density is more than six times lower than core administrative regions of New York and Madrid. Even the heritage Louvre of Paris is 2.5 times densely populated than New Delhi. Delhi has a population of 17 million, a meager 1 per cent lives in Lutyen's Delhi. Moreover, the population of central Delhi has declined by as much as 15 per cent over the last decade. Delhi faces huge housing deficit. According to Delhi Master Plan at projected population of 230 lakh,

Delhi needs 24 lakh dwelling units and more than half will have to be for the urban poor. But density control at the centre bars great part of the core from providing the new stocks. This forces the emerging middle class as well as the poor to live at the periphery. Delhi Master Plan requires population density of 2000 persons per hectare. But Lutyen's Delhi has 40 persons per hectare. In fact the draft transit oriented development policy requires high density, mixed landuse and mixed income development near metro stations but Lutyen's Delhi is exempted from this development. The smart city investment of Rs 1897 crore in NDMC area will not follow these basic principles of inclusive planning.

No land for the poor: Lutyen's Delhi is 3% of Delhi's land area and houses 1% of its population. But all slums in Delhi are also 3% of Delhi's area but houses 30% of Delhi's people. It is ironical that the parking demand from the existing cars in Delhi uses up as much as 10% of Delhi's geographical area – much more than the land that the poor occupy. The biggest challenge as the earlier programmes like Rajiv Awas Yojana (RAY) has demonstrated that the land owning agencies across the country are unwilling to give tenable land for the housing of the poor – even if it is only 3% of the city's land. 90% of Delhi slum areas are owned by the government agencies. The governments declare land as untenable or hazardous to evict the poor to the periphery. If land is declared tenable or habitable then the law requires in-situ development which is resented.

New policies like Housing for All and Pradhan Mantri Awas Yojana do not include tenure security or land rights for the poor any more. The scheme offers no guarantee to provide any additional legitimacy or documentation for the urban poor living in slums, and is likely to perpetuate their vulnerability. These are credit Linked Subsidy Scheme. Without land tenure local governments do not provide legal services to slum settlements as the rest of the city. Over time some of these settlements get listed/notified by the local governments and become eligible to receive services. But for most part 'illegality' make the urban poor vulnerable. Urban services will have to be extended to all. Illegality can make resource management more challenging.

Inequitous: Higher land and housing values can limit affordable housing units for low income groups and chronically poor groups in the city core and near the transit; and potentially stifle development of affordable or mixed-income housing projects. Therefore, regulations and safeguards must attach primacy to inclusionary zoning regulations and mandatory affordable housing. The transit oriented development policy and master plan are expected to address this. The Delhi policy has included mandatory provision on mixed income units and dwelling unit density. Already due to iniquitous blueprint some parts of Delhi have become over consumptive. For instance, New Delhi area uses more than 3 to 4 times water than other neighbourhoods.

Also urban planning is pushing the poor to the urban periphery and disrupting their livelihood, increasing travel distances and costs. The IIT study in Delhi has found that for the majority of the poor in the relocated slum the cycling distance has increased from 3.27 km to 7.29 km. Bus distance has increased from 4.7 km to 14.68 km. Journey time has further increased due to reduced frequency of bus service from 5 minutes to 63 minutes. In fact, the average distance to

bus-stop, school and urban services that was 0.1 Km, 0.7 Km and 1.8 Km respectively in the previous location the status changed to 0.3 Km, 0.62 Km and 6 Km at the relocated site. Land use accessibility has deteriorated as distance to education, health service, and other urban services have increased for 52 to 63 per cent of the household respectively. The CEPT study has found that there are many slum clusters along all the proposed BRT lines in Ahmedabad. Enough public land is available along the network that can be used for inclusive land based policy.

Green building guidelines for affordable housing is still weak: Though massive subsidy will flow into the affordable housing sector, the guidelines on design and material for the affordable housing sector is still very nebulous and weak. Only recently an initiative has been launched by the National Housing Bank to frame guidelines to guide the investment in the sector. There is very little awareness regarding application of architectural design and material that can help to improve the overall resource efficiency and energy efficiency of the structure and improve the quality of life of the poor. There is very little knowledge about low cost material, innovative architectural design that can be easily applied in low cost housing for improved quality of life. There is little discussion on community management of common services to improve service quality and healthy environment. Or design building typologies aligned to the livelihood requirements of different occupational groups in the informal sector of economy.

Greening the self-constructed housing sector: The massive scale of the self-constructed housing sector has stirred an interest in the need to provide professional help to improve quality and safety of the structures and the overall comfort level of the occupants. This is consistent with the global best practices as in Brazil and Thailand. Self construction grows and expands incrementally as per affordability and convenience of the poor. Progressive action is evident in several cities where a niche group of progressive architects and community groups are now experimenting with design solutions for these homes. Such examples are available in Delhi, Mumbai and other places. They are also advocating that the occupants should get involved in planning, making financial contribution, and using innovative architecture to meet the needs of the poor communities. Efforts are being made to re-skill the local masons, plumbers and other construction workers to make improved skills more affordable to the local community.

Owner-built or improved housing makes up 67 per cent of all affordable homes and rentals for millions of urban dwellers. There are significant variations in the density, size of the plots, kinds of structures and property documents -- but almost all such dwellings have poor structural and design quality that can be significantly improved. Some of the well known initiatives are Micro Home Solutions, Institute of Urbanology in Mumbai, Savda Ghevra etc.

New solutions for the shelter less: Delhi government has implemented night shelter policy and are also collaborating with technical groups to improve quality of the shelters. Moreover, the Draft National Urban Rental Housing Policy, as proposed on October 2015, has demarcated the homeless population as a primary beneficiary of the scheme. Shelter for the homeless, street children, destitute and the other vulnerable groups of the society will be covered under the Shelter for Homeless (SUH) scheme under the National Urban Livelihoods Mission (NULM). Social Rental Housing is being advanced as the vehicle through which housing stock can be

provided for the urban poor, specifically the BPL and Tenant due to constraints. The programme has been formulated from international experiences and needs support.

Finding money for the poor: The poor people find it very difficult to arrange formal finance from the banks. Most of them are not part of formal banking system. Therefore they cannot access formal housing finance so easily. Banks are not very active in sanctioning small ticket-size loans. Housing loans to weaker sections is decreasing every year. National Housing Bank reported 50% drop in home loan sanctions for less than Rs. 2 lakhs; 25% drop in home loans upto Rs. 10 lakh between 2012-13 and 2013-14.

There is now considerable interest to tap the micro finance for financing of the housing of the poor. According to the National Housing Bank study of 2010, in about seven states affordable housing micro-financing projects have started including cities like Mumbai and Ahmedabad. Institutions are not forthcoming as the margin of profit is low. Under the Pradhan Mantri Awas Yojana the EMI to be paid on loan taken will be reduced substantially. Though there is huge demand and poor people are willing to invest credit risk and transaction cost come in the way. This needs support.

Sign post

Leverage the emerging policies to address the challenges in the sector. Build community initiatives to shape homes and neighbourhoods. Integrate needs of all income classes in urban planning:

- Address land availability and tenurial security
- Make formal finance system more inclusive and affordable
- organize professional support for building design, quality construction; Build appropriate local skills
- Build awareness about low cost design and material
- Ensure private investment works for the poor and delivers on adequate and appropriate housing stock
- Help create appropriate building typologies; develop rental housing for the poor
- Need public engagement to promote community based planning for housing, local services and resources management

May the smart cities and the rest deliver on these principles.