



Task force on Promoting Affordable Housing

November 2012

This report presents the main recommendations of the Task Force set-up to develop transparent, qualified criteria for Affordable Housing for circulation to States



सत्यमेव जयते

अरुण कुमार मिश्रा, आई.ए.एस.
ARUN KUMAR MISRA, I.A.S.

Tel. : 23061444

Telefax : 23061991

E-mail : secy-mhupa@nic.in



सचिव
भारत सरकार
आवास और शहरी गरीबी उपशमन मंत्रालय
निर्माण भवन, नई दिल्ली-110 011
SECRETARY
GOVERNMENT OF INDIA
MINISTRY OF HOUSING
& URBAN POVERTY ALLEVIATION
NIRMAN BHAWAN, NEW DELHI-110 011



This Report on Affordable Housing is the outcome of over one and half years' effort. The Task Force has undertaken studies and extensive consultations with a variety of stakeholders including the private sector, non governmental sectors, state governments and urban local bodies as well as other Government of India departments as well as external experts and academics. The studies undertaken include a rapid review of affordable housing practices and some documentation of special projects in specific states; revisited some of the complexities and ambiguities in definitions and planning norms; examined procedures and analysed various models including having international case studies. The recommendations made are primarily aimed at providing a fillip to catalyse EWS & LIG housing projects through appropriate policy instruments.

The members of the Committee have given their time generously and we have also had enormous support from the States in the consultation process. I am grateful to each one of the members of the Task Force. I also would like to take this opportunity to mention a few names of my colleagues and thank them for their immense support. They are Dr.P.K.Mohanty, Additional Secretary, ShriV.P.Baligar, CMD, HUDCO, Shri R. V. Verma CMD, NHB, ShriSusheelKumar, Joint Secretary, Smt. Aruna Sundararajan, former Joint Secretary, SmtS.R.Rajashekar, Director. I would specially thank NIUA, FICCI, CREDAI, NAREDCO, VBHC, Janaadhar and MONITOR group and participants of workshops for their valuable suggestions, presentations and interactions to understand the real issues. A special word also for Smt Kiran Dhingra, my predecessor, under whose leadership this Task Force was initiated. I would particularly like to thank Smt Deepti Gaur Mukherjee, Director, RAY and Member Convenor of the Task Force and the entire team of Support to National Policies for Urban Poverty Reduction (SNPUPR) led by Shri Shubhagato Dasgupta.

It gives me immense pleasure and satisfaction, to submit this report to the Government, as the Chairperson of the Task Force, on behalf of myself and all the members of the Task Force.


Arun Kumar Misra
Chairperson

MEMBERS OF THE TASK FORCE

1	Shri. Arun Kumar Misra, Secretary, MoHUPA	Chairperson
2	Smt. Gauri Kumar, Additional Secretary, M/o Environment & Forests (Earlier Principal Secretary , UD, Govt. of Gujarat)	Member
3	Shri. G. S. Sandhu, Secretary, State Housing Department, Rajasthan	Member
4	Shri K. Shivaji, CMD, Maharashtra Industrial Development Corporation,	Member
5	Shri Ashish Sharma, Commissioner, Pimpri Chinchwad Municipal Corporation	Member
6	Shri Debashis Sen, IAS, Secretary (Urban Development and Town & Country Planning), Govt. of West Bengal	Member
7	Shri S P S Parihar, Secretary (Urban Administration and Development Department), Govt. of Madhya Pradesh	Member
8	Smt. Aruna Sundararajan, Joint Secretary, MoHUPA	Member
9	Shri V 'Naresh' Narasimhan, Architect and Director, Janaadhar Constructions Pvt. Ltd., Bengaluru	Member
10	Dr.Bimal Patel, Town Planner	Member
11	Shri Satish Magar, CMD, Magar patta Township, Pune	Member
12	Shri Jaitirath 'Jerry' Rao, Value & Budget Housing Corporation Ltd., Bengaluru	Member
13	Shri Pradeep Jain, Chairman, Confederation of Real Estate Developers' Association of India (CREDAI), New Delhi	Member
14	Shri Navin M Raheja, Chairman & Managing Director, National Real Estate Development Council, New Delhi	Member
15	Smt. Deepti Gaur Mukherjee, Director, M/oHUPA	Convener

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ABBREVIATIONS

AHP	Affordable Housing in Partnership
AHDP	Affordable Housing Development Plan
AHTF	Affordable Housing Task Force
ASI	Archaeological Survey of India
AAI	Airport Authority of India
AVL	AvasVikas Limited
BSUP	Basic Services for Urban Poor
BAHDL	Bengal Ambuja Housing Development LTD
CDP	City Development Plan
CBDT	Central Board of Direct Taxes
CREDAI	Confederation of Real Estate Developers' Associations of India
DU	Dwelling Unit
EWS	Economically Weaker Section
EMI	Equated Monthly Instalment
ECS	Electronic Clearing Services
EDC	External Development Charges
FAR	Floor Area Ratio
FSI	Floor Space Index
FICCI	Federation of Indian Chambers of Commerce and Industry
GoI	Government of India
GACL	Gujarat Ambuja Cements Ltd
GDCR	General Development Control Regulation
HIG	Higher Income Group
HUDCO	Housing & Urban Development Corporation Limited
HDFC	Housing Development Finance Corporation Limited
HMDA	Hyderabad Metropolitan Development Authority
IHSDP	Integrated Housing and Slum Development Programme
ISHUP	Interest Subsidy Scheme for Housing the Urban Poor
IT	Information Technology
JNNURM	Jawaharlal Nehru. National Urban Renewal Mission
LIG	Low Income Group
LAA	Land Acquisition Act
MOHUPA	Ministry of Housing and Poverty Alleviation
MIG	Middle Income Group
MGI	McKinsey Global Institute
MHFC	Micro Housing Finance Corporation Ltd.

MMR	Mumbai Metropolitan Region
NIUA	National Institute of Urban Affairs
NAREDCO	National Real Estate Development Council
NGO	Non Governmental Organisation
NBC	National Building Code
PPP	Public Private Partnership
PPSU	Policy and Programme Support Unit
RAY	Rajiv AwasYojana
SJSRY	SwarnaJayantiShahariRojgarYojana
SNPUPR	Support to National Policies for Urban Poverty Reduction
SRA	Slum Rehabilitation Authority
TDR	Transfer of Development Rights
TOR	Terms of Reference
ULB	Urban Local Body
VGF	Viability Gap Fund
WBHB	West Bengal Housing Board

DEFINITIONS AS USED IN THIS REPORT

The following terms and definitions are applicable unless otherwise specified.

- i. **Affordable Housing:** Individual dwelling units with a Carpet Area of not more than 60 sq. mt. and preferably within the price range of 5 times the annual income of the household as notified, either as a single unit or part of a building complex with multiple dwelling units.
- ii. **Affordable Housing Projects:** Housing projects where at least 60 percent of the FAR/ FSI is used for dwelling units of Carpet Area of not more than 60 sq. mts. The project shall also reserve 15 percent of the total FAR/ FSI or 35 percent of the total number of dwelling units for EWS category.
- iii. **Built up area and Plinth Area:** As used in this report is, Plinth area shall mean the built up covered measured at the floor level of the basement or of any storey, the same as defined in detail in the IS code - IS 3861 : 2002, "Indian Standard Method of Measurement of Plinth, Carpet and Rentable Areas (Second Revision)".
- iv. **Carpet Area for a Affordable Housing Dwelling Unit:** The carpet area as used in this report is the usable and habitable rooms at any floor level (excluding the area of the wall). While the method of measurement of carpet area will be the same as in the IS code 3861:2002, it will include carpet area of the living room(s), bedroom(s), kitchen area, lavatory(s), bathroom(s), and balcony / verandah, if provided, in accordance with the definition of the Dwelling Unit/Tenement as provided in the National Building Code, 2005 which is an independent housing unit with separate facilities for living, cooking and sanitary requirements
- v. **Developer:** A private, public or joint sector enterprise engaged in the production and sale or rental of housing.
- vi. **FSI (Floor Space Index) or FAR (Floor Area Ratio):** The quotient obtained by dividing the total covered area (plinth area) on all the floors by the area of the plot:
 - i. $FAR = \frac{\text{Total covered area of all the floors}}{\text{Plot Area}}$
- vii. **Middle Income Group (MIG) :** In this report, MIG area is as per the guidelines of the Affordable Housing in Partnership Scheme, 2009 published by the Ministry of Housing and Urban Poverty Alleviation, Government of India, which is upto a maximum super built area of 1200 sq ft.
- viii. **Rentable Area:** As used in this report, shall mean the carpet area at any floor level including areas as defined in the IS code - IS 3861 : 2002, "Indian Standard Method of Measurement of Plinth, Carpet and Rentable Areas (Second Revision)".
- ix. **Project approval:** All procedures involved in obtaining clearances for an affordable housing project including, but not limited to building permits, land related approvals, environmental clearances and other related approvals.
- x. **Public Private Partnership:** A business venture for production and sale or rental of housing involving both private and public sector agencies. Involvement of public agencies may be in the form of active facilitation through supportive policy/ regulation or as equity holders.

SUMMARY AND RECOMMENDATIONS

Even the most cursory look at our cities, reveals the huge urban housing shortage. The recently released Report of the Technical Group on Urban Housing Shortage (TG-12) (2012-17) has estimated the Housing shortage to be 18.78 million out of which 56.18 percent is in the economically weaker segments and 39.44 percent is in the Lower income group categories. As per projections of a report by the McKinsey Global Institute, the housing shortage under business as usual circumstances could go up to 38 million units by 2030.

India has seen a burst in home ownership in the last ten to fifteen years. With the expansion of housing finance institutions and regulatory and fiscal support, mortgage interest rates have come down from 16% in the middle/late 1990's to 9% in the early part of the last decade, especially for the middle and higher income segments. This has led to average growth of housing mortgage portfolio's of banks by close to 40 per cent annually, consistently higher than any other asset class. In real terms these changes have resulted in a whole new generation of younger citizens accessing home ownership. The average age of a house owner has come down by twenty years in the last decade. However, this has essentially benefited the growing middle class in India and these benefits are yet to reach the poorer segments.

For the last many decades, public sector entities such as State Housing Boards and Development Authorities were the only suppliers of Affordable Housing stock through projects for EWS and LIG categories. An encouraging factor though is that in the last five years a set of new private sector developers and financial institutions have started developing new models for building and financing Affordable Housing. However from the scale of the problem it is clear from the scale of the housing shortage, that the public sector and a few private players alone cannot address the problem and if we are to realistically address this huge challenge we have to make the housing and housing finance markets work for the poor.

It is within this context that the Ministry of Housing and Urban Poverty Alleviation, set up a Task Force vide Office Order M11022/1/2009-Housing dated the 26th of November 2010, for developing transparent qualified criteria and a separate set of guidance for affordable housing in PPP projects for circulation to states, aimed at developing recommendations to create an enabling framework for increased private sector participation in Affordable Housing.

This report of the Task Force, after elaborating on its Terms of Reference, presents the findings of a Rapid Review of planning approaches adopted in different states. It then discusses and compares the various criteria used to define Affordable Housing, reviews the institutional and procedural issues related to plan approvals and the key incentives recommended by state governments for this housing segment. The next section of the report presents the main recommendations of the Task Force which are categorised into four buckets namely, (a) Supply side financial interventions; (b) Supply side non-financial interventions; (c) Demand side financial interventions; and (d) Demand side non-financial interventions.

The list of Key Recommendations are as below:

1. Affordable Housing criteria and core definitions

The Task Force suggests that a set of “core criteria” should be adopted, which should form the basis of all policies/schemes at national as well as state level to ensure that there is a synergy and a shared objective across all governmental efforts aimed at the sector. The “core criteria” suggested in these recommendations are in terms of ranges so as to allow for some flexibility to implementing agencies to respond to ground realities and market conditions in the vast diversity of cities across the country.

1.1 Sizes of EWS and LIG Dwelling Units and method of measurement (Carpet Area):

The Task Force recommends that to establish the minimum size of a habitable EWS dwelling unit, the absolute minimum size of areas as presented in the NBC code should be followed. The recommendations on the size of Affordable Housing Dwelling Units are as follows:

- For Economically Weaker Section (EWS): 21- 27sq.m Carpet Area
- For Lower Income Group (LIG-A): 28-40 sq.m Carpet Area
- For Upper Lower Income Group (LIG-B): 41-60 sq.m Carpet Area
- The Task Force also recommends that these ranges, especially if subsidies are tied to them should have an admissible marginal variation of 10%. Therefore while the minimum area of the EWS would be fixed at 21 sq.m and the maximum for LIGB would be fixed at 60 sq.m, the EWS maximum area could be between 25.2 and 30.8 sq.m and the maximum area for LIGB could be between 36.9 and 45.1 sq.m. This would give states the flexibility to decide the final area specifications for projects within their particular situations.
- While the BIS Code IS 3861 : 2002, disallows the use of Super Built-up area, but in practise sale price calculations by developers are based on varying methods of measurement of the Super Built-up area and is therefore directly linked to the income segment to which the dwelling unit is affordable. The Task Force therefore recommends that considering general practices, feedback from developers and local bodies and as per actual calculation of dwelling units of EWS and LIG category, a 25% loading is recommended as the maximum permissible loading on carpet area to calculate Built-up Area and 40% to calculate Super-built-up (Saleable) area

1.2 Income criteria based on Income ceiling of households:

Based on the results of calculations, the maximum Household Income for the EWS and LIG category are recommended to be Rs. 8,000/- and Rs 16,000/- per month and since many households in this category do not have regular monthly income an annual income of Rs. 100,000 for EWS and Rs. 200,000/- for LIG households could also be used.

The Task Force also felt that for cities and urban agglomerations with more than a million population state governments could consider an increase of upto a maximum of 25 percent on the recommended household income levels mentioned above, if deemed necessary, based on proper justification.

1.3 **Affordability, borrowing capacity and house price to income multiples:**

The Task Force notes that at current unit prices, EWS and LIG segments cannot afford housing and capital and/or interest subsidies are required. If such subsidies can be made available the affordability multiple can be increased upto 5 for EWS segments, thus making EWS housing affordable for those within the proposed income ceilings. The Task Force recommends that the desirable goal of a house price to income multiple that should be pursued for Affordable Housing projects should be 5 as against 3 to 4.

2 **Recommendations on Possible incentives for the affordable housing sector**

2.1 **Supply side financial incentives**

- **Development Related Charges:** The Task Force strongly recommends States to consider similar concessions in development related charges as best suited to their condition to encourage Affordable Housing projects.
- **Service Tax exemptions:** Service Tax has exempted the taxable services by way of construction pertaining to low cost houses up to a carpet area of 60 square metres which have been approved under the 'Scheme of Affordable Housing in Partnership' framed by MoHUPA. This concession could be up to a level of 3.5 to 4.5 percent of the project cost and therefore could serve as a major incentive for affordable housing developments. The Task Force recommends for revamping the AHP scheme so that this concession is able to yield the intended results.
- **Direct Tax rebates for Affordable Housing projects:** The Task Force recommends that MoHUPA pursue with CBDT to include the entire capital investment in rental housing as eligible deduction under 35AD (5) (ac). The Task Force also recommends that the 35 AD concession should be available to all projects approved under the Affordable Housing in Partnership Scheme.
- **Section 80-IA of the Income Tax Act:** AHTF recommends that as an attractive incentive to the developers, Affordable Housing projects may also be included in Sub-section (4) to avail the benefit of Section 80-IA.
- **The tax deduction u/s 80IB (10):** AHTF recommends that provisions of section 80 IB (10) be made applicable for Affordable Housing projects sanctioned after 31st March 2008, at least for ten years till 2018 which fulfil the conditions prescribed by the MoHUPA, in anticipation of the inclusion of Affordable Housing within section 80IA.
- **Including Affordable Housing, as per the Task Force definition, as "infrastructure facility":** The Task Force recommends that will also assist the financiers of such projects to be eligible for a host of tax concessions otherwise currently available to infrastructure projects. This, the task force feels will go a long way in reducing the cost of the Affordable Housing dwelling units and incentivise the development of such projects.

- **Direct Capital grant support to Affordable Housing projects:**

Viability gap funding (VGF) : AHTF recommends that the Government of India should consider making Viability Gap Funding available through the established Government of India facility for Affordable Housing projects.

- **Developing new avenues for debt financing for Affordable Housing projects:**

An advisory should be issued recommending that recognized provident fund should be encouraged to invest in affordable home projects that meet the investment rating norms of such funds. Task Force recommends that MOHUPA should take up with the Ministry of Finance for Life Insurance Companies to permit Life Insurance Companies (other than LIC) to invest in Affordable Home Project Finance subject to usual commercial considerations. LIC and HUDCO must also be encouraged to invest in SPVs that undertake Affordable Home Projects.

- **Foreign Direct Investment for Affordable Housing:** While Foreign Direct Investment is allowed in Housing projects, the Task Force recommends that special dispensation should be made for Affordable Housing projects. The criteria for minimum built up area should be brought down from 50,000 sq. m to 20,000 sq.m and the minimum investment brought down from 5 million dollars to 2 million dollars.

2.2 Supply side non-financial incentives

- **Reduce timelines for approval of Affordable Housing projects:**

AHTF strongly recommends that States should take up measures to establish a Single Window, fast track approval process. It further recommends:-

A simplified set of regulations and procedures for issue of building permits, accompanied by clear instructions/ checklists/ guidelines/ manuals on how to submit an application. Creation of an institutional mechanism to facilitate faster conversion of agricultural land to non-agricultural land within the boundary of the urban planning area where the land is earmarked for residential use in the master plan. State should ensure streamlining of all state and local clearances to facilitate approval within a maximum of 60 days. Streamlining and fast-tracking of central government clearances from Ministry of Environment & Forest, Archaeological Survey of India (ASI), Airport Authority of India (AAI) and Ministry of Defence needs to be pursued by the central government as per recommendations being worked out by the Committee on Streamlining approval process. The affordable housing projects should have a special dispensation in getting clearances from the Ministry of Environment & Forest and the threshold for such projects should be increased from 20,000 Sq. meters to 50,000 square meters.

- **Inventory of state/ city land holdings and increasing land supply for Affordable Housing:** The Task Force therefore recommends that, State and cities shall make a full inventory of their land holdings in cities and constitute a land bank and prepare an asset management plan for better managing the available land and targeting it supply to create Affordable Housing Dwelling Units.
- **Increasing Land availability for Affordable Housing Projects:** The Task Force is of the opinion that as even with the support of a set of incentives, the reform in JNNURM program for reservation of 20 % of developed land (10 % of Gross land) for plotted housing development schemes for the urban poor would be too high and beyond the cross subsidy capacity of both the developers/projects as well as the buyers. The Task Force would like to recommend that the reservation requirement under the RAY programme should be at least 15%-20%,of developed land or at least 35% of the dwelling units in each project with a plot size of minimum hectare. The 35% of the DUs, reserved at the project level, should be for EWS and LIG Category with at least 25% of these DUs are of the EWS category. Simultaneously with this reservation the State governments should also provide compensatory FSI. The Task Force feels that this will be better received by the industry and will also increase the number of dwelling units for the target categories. This will create more dwelling units in the states and is a higher requirement than the 25% as provided in the AHP Scheme, currently.
- **Increasing FSI and providing TDR facilities:** The Task Force recommends that increasing FSI/FAR and providing Transferable Development Rights (TDR) approach is to be used in two situations. Firstly FAR/FSI should be increased in all Affordable Housing projects where the FSI/FAR is lower than 1.75 to allow for increased cross subsidy possibility. Secondly in situations where under the Land reservation reform condition under the RAY Scheme where a portion of the land/FAR is handed over to government additional /compensatory FSI at least equal to the FSI actually consumed for EWS/LIG segment in an automatic route can be offered to the developer. This additional FSI, if unutilized on the same project land, could be given in the form of TDR, through a zonal planning system, to be used in other parts of the town as per norms and guidelines fixed by the State government in this regard. In both the situations states and ULBs may be required to also increase the applicable density levels.
- **Revision of the Building Codes:** The standards and norms, which often are not tuned to the requirements of Affordable Housing should be revised.
- **Revision in Planning and Development Norms:**
A few of the most important initiatives state governments could take are:
 - Develop zones for EWS/LIG/MIG in the Master plan
 - FAR/FSI: Liberal FAR/FSI norms to create more housing stock to accommodate as much of the low income segment as possible, subject to minimum of 1.75.
 - Ground Coverage: 50%

- **Density:** Liberal density norms to create more housing stock to accommodate as much of the low income segment as possible, subject to a minimum of 350 DUs/Hectare.
- **Parking norms** need to be reduced/rationalized for affordable housing projects
- The Task Force recommends that the MOHUPA should carry out a separate study on building standards and norms to revise the provisions of “Part III, Annexure C of the National Building Code of India” with respect to Affordable Housing, especially for group housing society projects which are not included in the code at present.
- **Policy support for the promotion of mass housing construction technologies:**
MoHUPA should put in efforts towards standardisation of norms and building codes across different regions of the country which could help in development and use of mass housing construction technologies. These technologies if used at scale could reduce the time required in construction and would finally reduce the costs of dwelling units. Some examples of technological innovations and standardization at structural level which could be a) Structural Uniform Criteria for symmetrical structures b) Load Bearing Monolithic structures c) Low Rise buildings with monolithic structures; d) Mat Foundations and e) Soil Improvement technologies.

2.3 Demand side financial incentives

- **Interest Subsidy:** The Task Force recommends that the Interest Subsidy Scheme for Housing the Urban Poor (ISHUP) scheme should be restructured to adopt the EWS/LIG definitions as mentioned in earlier in this report and the restrictive size of the loan against which the 5% interest subsidy is received should be increased to at least Rs 5 lakhs instead of 1 lakh.
- **A moratorium for 3 years in payment of EMI** may be also be considered to relieve the EWS/LIG housing buyers from the burden of paying EMI and house rent simultaneously while the house is under construction. Lending banks may be asked to explore the possibility of deferred payment of EMI and a scheme to this effect either as a component of ISHUP or in any other arrangement should be created.
- **Appropriate reduction of stamp duty for registration of property in Affordable Housing projects:** The AHTF recommends that States should adopt a policy of having nominal Stamp duty for EWS and LIG category and 5% for higher categories with Rs. 100 for the EWS housing as practiced in various States.
- **Priority Sector Lending for Affordable Housing Projects:** The Task Force notes that despite significant overall growth of institutional credit in the housing sector, the Government priority of making housing credit available to the economically weaker sections remains unfulfilled. The Task Force is of the opinion that a relook is necessary given the incentives and programmes that are being launched by the Government of India.

- The Task Force recommends the creation of a sub target of 3% of the total loans and advances of the banks/gross bank credit for the purpose of housing loans to EWS/LIG segments to be achieved by the end of the 12th Five Year Plan period i.e. 2017. It also recommends that housing loans to borrowers in the EWS/LIG segments should also be considered on the lines of NRLM and SJSRY and should be included in the category of advances to weaker sections and should be made eligible to meet the sub-target of 10% for weaker sections. If the off-take under the EWS/LIG category loans grows significantly, the overall limit for weaker section loans may also be raised further by 2% at a later point of time provided the additional 2% is only for housing loans for EWS/LIG segments.

The Task Force, therefore recommends that the National Housing Bank may further develop suitable mechanism (in terms of refinance schemes, promotional and developmental endeavours etc.) to encourage increased flow of loans from housing finance companies to EWS/LIG segments either through a priority sector lending framework or other appropriate measures.

The Task Force recommends that in a situation where banks are unable to achieve this sub-target for EWS/LIG segments, the banks may be permitted to make available undisbursed amounts to a Fund to be created for “EWS/LIG Urban Housing and Infrastructure Fund” on the lines of Rural Infrastructure Development Fund (RIDF). It also recommends that cost of the dwelling unit in the housing projects sanctioned by banks exclusively for the purpose of construction of houses to economically weaker sections and low income groups, be increased from Rs 5 lakhs to Rs10 lakhs per dwelling unit, to be considered as part of the Bank's Priority Sector lending.

2.4 Demand side non-financial incentives

- **Key non-financial problems faced by low income group in accessing Affordable Housing:** The Task Force recommended that each state government and urban local body initiate programs to create/ support entities that accelerate the home ownership process in low income groups through the following generic types of interventions.
 - As a facilitator to enable the EWS/ LIG families to access institutional credit including subsidies under existing schemes.
 - Outreach to low income families on the importance of home ownership for financial security.
 - Educational programs for financial literacy with respect to home loans.
 - Active handholding in the process of securing home loans and purchasing houses.
 - Educational intervention in completed projects regarding building maintenance and community management.
 - Interventions in skill development livelihood, health and education in completed projects to ensure the upward mobility of these low income home owners.
 - Support new 'Know your client' procedures being adopted by new Housing finance providers.

- The operationalization of the Rajiv Awas Shelter Fund, to be used for funding a instrument to keep the slum/urban poor beneficiary from turning defaulter due to unemployment, death or other genuine distress and thereby risk forfeiture of dwelling unit and foreclosure on loan; the State Governments should develop an instrument could also have a specific window to share the lender's costs of servicing a loan.
- Other than this the State may also consider creating, or enabling, in each slum or city, an Intermediating Agency between the lender and the borrower, which may be a Rajiv AwasYojana Residents Housing Association of the slum dwellers, or such a housing association in collaboration with a microfinance agency or a joint venture between a municipal or State Housing Board, which will take care of tracking each borrower, and ensuring repayment. In the event of intentional failure to pay the loan, this intermediating agency should also provide help to the lender to foreclose on the mortgage.
- It may be possible and desirable to integrate many of the above interventions with already existing poverty alleviation programs (e.g. SJSRY) of the state government and urban local body.

3 Indicative quantification of recommended subsidies

Based on the generic model adopted by the Task Force with the assumptions and calculations presented in **Annex- IX**, the Tasks Force has quantified the per sq ft impact of each of the concessions recommended, as presented in Table 7.

4 Suggestions to recast the AHP Scheme

The Task Force has also made comprehensive set of recommendations related to the recast of the Affordable Housing in partnership Scheme of the Government of India, which include directing the AHP grants to EWS dwelling units alone; development of state level schemes to ensure beneficiary identification; streamlining and raising the subsidy amounts as well as a smother process of ensuring that the subsidy is delivered to the end beneficiary.

1. INTRODUCTION

- 1.1** The Ministry of Housing and Urban Poverty Alleviation, Government of India, constituted a Task Force vide Office Order M11022/1/2009-Housing dated the 26th of November 2010 (**Annex-1**), for developing transparent qualified criteria and a separate set of guidelines for affordable housing in PPP projects for circulation to states.
- 1.2** The Task Force was set up under the Chairpersonship of Secretary, Ministry of Housing and Urban Poverty Alleviation, and included subject specialists and industry leaders as well as concerned central, state and local body officials. The list of members is at **Annex I and II**.
- 1.3** MOHUPA's intention in setting up this Task Force, as elucidated in the Office Order, was to receive a set of considered recommendations which could help the government develop a strategy to address some of the complexities and ambiguities in building bye-laws; consider the incorporation of incremental growth and temporal standards in urban planning density norms, through FSI and TDR like instruments; and to streamline the approval system for Affordable Housing projects.
- 1.4** The Task Force has held 4 formal meetings, the first on December 30, 2010, the second on June 22, 2011, the third on September 30, 2011 and the fourth on September 6, 2012. At these meetings, the Task Force reviewed (a) recommendations of previous committees, (b) previous research studies undertaken on Affordable Housing, and (c) presentations made by external experts/agencies i.e NIUA, FICCI, CREDAI and NAREDCO. The Task Force also mandated the Policy and Programme Support Unit (PPSU) under the Support to National Policies for Urban Poverty Reduction Project (SNPUPR) of the Ministry of Housing and Urban Poverty Alleviation to undertake a Rapid Review on affordable housing and fast track building approval experiences in select states and cities. In addition, two consultations were held with real estate developers by organizing workshops, the 1st one on 25-26th February, 2012 to work out various definitions and possible incentives and the 2nd in on 12th July, 2012 to understand the positive experiences and the challenges faced by developers and housing finance companies already working in low income group segment.

2. TERMS OF REFERENCE (TOR) AND KEY DECISIONS ABOUT THE TOR

- 2.1 The initial Terms of reference of this Task Force included the following (attached as Annex I):**
- a) “The Committee will initially conduct a rapid review of the sanctioning process of development plans for affordable housing in mega cities and tier 2 cities across India, and will locate the institutional, legal, and procedural issues, that hinder and slow down the sanctioning process.

- b) With the problematic issues being identified, the Committee will design a two stage Affordable Housing Development Plan (henceforth “AHDP”) sanctioning process based upon a “Model AHDP Guidelines” document.
- c) The “Model AHDP Guidelines” will be a comprehensive document, of detailed information on necessary, sufficient and desirable criteria - project details, financial and construction related - for AHDPs to be sanctioned, by the different government bodies concerned. The Model AHDP guidelines, will constitute a standard and uniformly applied (hence – transparent) set of directives, against which the suitability of all affordable housing projects can be objectively judged. This document will address strategic, tactical, and procedural issues.”

2.2 At the first meeting of the Task Force the Terms of Reference of the Committee was discussed and the outline and content of a Rapid Review of affordable housing practices and special projects in specific states, was finalized. At the second meeting of the Task Force dated June 22nd 2011, the results of the Rapid Review, were discussed. The key findings of the same are presented in the next section.

2.3 Based on review of the presentations and deliberations thereon, the Committee felt that while the overall simplification and streamlining of approval processes constitute an important measure to promote affordable housing, however given that there are significant variations among states and cities, a standardized two stage development and building plan sanctioning process prima-facie, may not be feasible in the short term. It also felt that any such attempt by the Centre would require more detailed examination and consultation than what the Task Force has been assigned/ resourced with. With this approach in mind the Committee decided that it should focus on strategic and tactical issues in promoting Affordable Housing. This was also specifically mentioned by the Chairperson of the Task Force at its third meeting, wherein he requested the members to suggest incentives to catalyze private participation in EWS and LIG housing projects, by using appropriate policy instruments. This approach has been reflected in the addendum of the ToR of the AHTF through an Office order numbered No. M-11022/1/2009-H(Pt/FTS/577) dated 26 September, 2011, which stated that the Committee should incorporate “Suggestions for various models for incentivizing the private sector to the States especially with regard to reservation of land for EWS/LIG and their involvement under “RajivAwasYojana”(Annex II). In view of the above approach agreed upon by the Task Force, the MoHUPA has already constituted a Committee for Streamlining Approval Procedure for Real Estate Projects¹.

¹The Committee was constituted vide F.No. O-17034/139/2010-H (Part)/FTS-5524 dated 04/04/2012 under the chairpersonship of Shri Dhanendra Kumar (IAS, Retd.) with members from relevant Ministries of the Central Govt., State Govt., representatives from real estate business and Technocrats. The primary terms of reference are, to examine few best practices on streamlining building plan approval processes in cities like, Pune, Hyderabad, Mysore and Indore etc; Study of Bihar model on the obtaining of building plan approvals from certified architects; Suggest a methodology for fast tracking Central/State building clearances; and Suggest a systematic approach through which all cities and states can develop fast track, single window clearance mechanisms giving specific focus on simplification of procedural aspects, formulating single composite form with complete listing of the set of documents necessary to accord sanction by the authorities and automated system for building plan approval with special emphasis on Affordable Housing.

3. FINDINGS OF THE RAPID REVIEW

As mentioned above under the guidance of the Affordable Housing Task Force a rapid review was conducted and presented at the second meeting of the Task Force. The states covered in the review included Rajasthan (Box I), West Bengal (Box II), Gujarat, Karnataka, Maharashtra, and Uttar Pradesh. A summary of the policies prevalent in the various states is at Annex III. The key issues covered as part of the rapid review in the context of the ToRs were:

- Review of Affordable Housing Criteria in terms of size, income and sale price
- Institutional, legal, and procedural issues, that hinder and slow down the sanctioning process
- Key incentives provided by States for Affordable Housing

Box I: Models of Affordable Housing in Rajasthan

Model No-1: Mandatory Provisions:

Rajasthan Housing Board to construct at least 50% plots/ houses/ flats of EWS/LIG category in its schemes. Another 20% of the plots/ houses/ flats to be constructed for MIG-A category.

All Urban Local Bodies including Jaipur Development Authority, Jodhpur Development Authority, Urban Improvement Trusts and Municipal bodies to allot/construct at least 25% plots/houses/flats of EWS/LIG category in their residential/ housing schemes. Another 20% of the plots/ houses/ flats to be allotted to MIG-A category.

Private developers to reserve 15% of the dwelling units to be used for EWS/LIG housing in each of their Township/Group Housing Schemes.

Model No-2: Private developers on land owned by them:

The selected developers to take up construction of EWS/LIG flats (G+2/G+3 format) on minimum 40% of the total land set apart for housing scheme under the Policy.

The built up EWS/LIG flats to be handed over to the nodal agency (AvasVikas Limited) at pre-determined prices, to be allotted to the eligible beneficiaries by the nodal agency.

The developer would be free to construct MIG/HIG flats on remaining land as per his choice.

Several incentives offered to developers like double of the normal FAR, TDR facility, waiver of EDC, Building plan approval fee, conversion charges, 10% of the total land allowed for commercial use, fast track approval etc.

Model No-3: Private developers on acquired land:

The selected developer can take up construction of EWS/LIG flats (G+2/G+3) on the land under acquisition by ULBs. The land would be made available to the developer on payment of compensation (Land Acquisition cost + 10% Administration charges). All other parameters to be followed and incentives to the developer would be as per Model No. 2.

Model No-4: Private developers on Government land (For Rental housing or outright sale basis)

Earmarked Government land to be offered free of cost to the developer to be selected through an open bidding process. The developer offering the maximum number of EWS/LIG flats (Built up, G+2/G+3 formats) free of cost to the ULB would be awarded the project. At least 50% houses should be of EWS category.

The developer shall be free to use the remaining land as per his choice for residential purpose with 10% for commercial use.

All other parameters to be followed and incentives to the developer would be as per Model No. 2.

Model No-5: Slum Housing:

The model is based on various schemes approved by Government of India and also on the lines of "Mumbai Model" of slum redevelopment with private sector participation.

Source: Rajasthan Affordable Housing Policy, 2009

Box II: Joint Sector Model –Udayan by Bengal Ambuja

“Udayan-The CondoVille” is a partnership project, which in the late 1990s and early 2000s, was considered as one of the most successful PPP housing projects. The Model is based on the principle of cross-subsidization. M/S Gujarat Ambuja Cements Ltd (GACL), a private sector company came forward as a partner to the government, having sufficient resources and expertise, to implement housing projects on commercial basis in the name of Bengal Ambuja Housing Development LTD (BAHDL).

The WBHB and the GACL, each hold 49.5% equity in this joint venture company and the remaining 1% is offered to the public. The land assembly and acquisition for the project was the responsibility of the WBHB. The BAHDL was responsible for the overall formulation, implementation and monitoring of the project and the responsibility of GACL was the overall management of the affairs of the company including monitoring and supervision of entire construction activities in conformity with the statutory requirements.

For financing the construction of dwelling units, HUDCO was approached by BAHDL and HUDCO provided project finance. Beside the above agencies, an NGO named “Mass Education” has been involved in the project maintenance activities. Home Trust Finance Company Ltd, a subsidiary of Gujarat Ambuja Cements Ltd (later acquired by HDFC), had also been involved in the project, though indirectly, to provide housing finance to the beneficiaries.

Source: Interviews and various documents including the Workshop Report on “Public private partnerships for urban housing in India”, National Conference on Housing and Human Settlements, organized by Ministry of Housing & Urban Poverty Alleviation, 17-18 November, 2006

3.1 Review of Affordable Housing Criteria:

3.1.1 The rapid review has brought out that, each state has adopted different standards/norms of size and sale price of dwelling unit, in their definitions for Affordable Housing. At the central government level various government schemes and committees have adopted different definitions from time to time. As per the real estate industry, Affordable Housing is used loosely to refer to projects in the periphery of large cities, which have smaller DU sizes and where the sale prices range between Rs. 5 – 15 lacs. It was also found that Banks and Housing Finance Institutions use a set of specific income related ratios such as house price to income ratio and maximum EMI to gross household monthly income, etc to calculate the borrowing capacity of clients, thereby deciding the price of DUs which are affordable to individual clients. The various definitions are discussed below and a comparative table of the criteria that constitute the definition of Affordable Housing in various states is at **Annex IV**.

3.1.2 Central Government definitions

3.1.2.1 A 'High Level Task Force on Affordable Housing for All' under the Chairmanship of Shri Deepak Parekh, Chairman of the Housing Development Finance Corporation Limited (HDFC), was set up by the Ministry of Housing and Urban Poverty Alleviation in early 2008. The report of this Committee defined Affordable Housing for households belonging to EWS and LIG sections respectively as:

“A unit with a carpet area most likely between 300 and 600 sqft, with (i) the cost not exceeding four times the household gross annual income (ii) EMI/rent not exceeding 30 percent of the household's gross monthly income”.

3.1.2.2 As per the Affordable Housing in Partnership Scheme guidelines, which is a scheme launched by the Ministry of Housing and Urban Poverty Alleviation, Government of India, in 2009, affordable houses are defined as houses ranging from about 300 square feet (super built up area) for EWS, 500 square feet for LIG and 600 square feet to 1200 square feet for MIG, at costs that permit repayment of home loans in monthly instalments not exceeding 30% to 40% of the monthly income of the buyer. In terms of carpet area, an EWS category house would be taken as having a minimum 25 square meters of carpet area and the carpet area of an LIG category house would be limited to a maximum of 48 square meters. The carpet area of an MIG house would be limited to a maximum of 80 square meters.

3.1.3 State Government definitions

3.1.3.1 Definitions of Affordable Housing vary from State to State and are based on the definition of income levels and/or sizes of the dwelling units. The Rajasthan Housing Board defines dwelling units for EWS households (monthly income upto Rs. 3300) as flats with a ceiling cost of Rs. 1.9 lakh with a super-built up area of 325 sq. ft. (with 2 rooms, a kitchen and bathroom) and flats for LIG households (monthly income Rs 3,301 to 7,500) as flats with a ceiling cost of Rs. 3.25 lakh with a super-built-up area of 500 sq. ft. (with 3 rooms, a kitchen, bathroom and balcony).

3.1.3.2 The MMRDA Development Control Regulations, implemented in the Mumbai Metropolitan Region (MMR), stipulate a size criterion of 225 sq. ft. - 270 sq. ft. for affordable housing units. In case of West Bengal, there is no codified policy for "Affordable Housing" but under the joint venture model, EWS flats are those that have a minimum Plinth area of 200 square feet and maximum price of Rs 1.75 lakhs and are allocated to beneficiaries having a monthly income upto Rs 10,000 or less. LIG flats are those that are allocated to beneficiaries with a monthly income between Rs. 10,001-15,000 and have a minimum plinth area of 400 square feet and maximum price of Rs 4.10 lakh.

3.1.4 Private Real Estate Sector

3.1.4.1 Over the last few years, a number of developers have entered into the low cost housing segment by offering houses of size between 200 square feet and 600 square feet and price varying from Rs.4 lakhs to Rs. 10 lakhs depending on the location of the project. However the prices of the EWS/LIG units and the households that are being targeted are not strictly as per the limits/norms specified by GoI or State Governments and the designs vary widely in terms of rooms and facilities.

3.1.5 Others

- 3.1.5.1 Independent advisory organizations use their own definitions for affordable housing. A McKinsey Global Institute report² supports variable standards for affordable housing and proposes that the definition should be based on varying incomes and family sizes, rather than using a “one size fits all”, definition. Their report defines the market for affordable housing to consist of a 'Deprived' income segment which as defined in that report are the urban households earning less than Rs 90,000; and the 'Aspirers' income segment which as defined in that report are the urban households earning between Rs 90,000 and Rs 2 lakhs, annually.
- 3.1.5.2 HDFC evaluates the maximum purchasing affordability as 5.1 times the annual income of a household. However in practice it has been found that for most housing finance institutions the affordability multiplier for EWS and LIG categories, is much lower at close to a maximum of 3 times the annual income.
- 3.1.5.3 KPMG's report³ on affordable housing projects in India, categorises developments according to income levels and house plans. It mentions that- EWS households, with annual incomes of less than Rs. 1.5 lakh access housing units typically less than or equal to 300 sq. ft., with limited amenities and located on city peripheries and are often financed by Micro Finance Institutions. The report mentions that-LIG households with annual incomes between Rs 1.5 lakh – 3 lakh access housing which have basic amenities, are between 300-1200 sq. ft. of built up space, and are often located within the city and financed by the formal banking sector.

3.2 Institutional, legal, and procedural issues, related to the project and building plan sanctioning process

- 3.2.1 In an effort to document the list of permits and to analyze the basis for the scrutiny for each of the permits a framework for the assessment and diagnosis was developed by the AHTF which covered (a) Greenfield situations, normally in peri-urban areas where land cost is the least but time taken to get permissions for land use status and environmental clearances etc. is the greatest (b) Non-municipal land where no layout design is available and sometimes the land use status and the status as per revenue records is not in consonance; (c) Non-municipal land where the basic layout has been designed by the development authority concerned and some basic level of infrastructure is present and (d) Existing vacant land under municipality where the land cost is usually the highest. The Rapid Review scanned secondary sources and undertook a set of interviews with both public and private sector stakeholders to arrive at a comprehensive list of permits needed in each of the states under the study. The key findings of this assessment are discussed in the following two sections.

²India's Urban Awakening, April 2010

³KPMG Advisory: "Affordable Housing – A key growth driver in the real estate sector?, 2010"

3.2.2 List of approvals required

3.2.2.1 As regards the approval processes the various permits are based on i) tier of government which is responsible for the permit; ii) objective of the scrutiny and iii) basis of the scrutiny. It was found that the long list of permits often exceeding fifty in number for each state/project could be classified into eight categories as presented in **Table 1** below. The Task Force opined that such a categorization could lead the way for redesigning and simplifying the procedures for building permits. However the Task Force felt that further development of this area was not possible given the width and mandate of the Task Force, but proposed that the Central Government should examine ways to incentivize state governments to focus on reforms of the building plan approval process.

Table1: Broad Categories of Approvals for Housing Projects across states

SL No.	Categories of approvals	Tier of Government	Objective of scrutiny	Basis of scrutiny
1	Ownership (Registration of properties)	State government	Establish ownership	Verification of past records
2	Permit for conversion (Revenue department)	State government	Allow non-agricultural urban uses	Conformity to Master Plan/ Regional plans/ access to infrastructure, availability of water, power etc.
3	Land use verification (Town Planning department)	Parastatal/ Local govt./ State government	Conformity to Master/ Zonal/ layout plans	Master/ Zonal/ Layout plans
4	Building bye laws (Municipal corporation /dev authority)	Parastatal/ Local government	To protect public health, safety and general welfare as they relate to the construction and occupancy of buildings and structures	Various codes and standards as applicable in a particular jurisdiction
5	NOC from other departments	State government	To protect public health, safety and general welfare as they relate to the construction and occupancy of buildings and structures	Various codes and standards as applicable in a particular jurisdiction

6	Physical inspection on Commencement of Project	Parastatal/ Local government	To verify compliance with approvals especially for building components which are not visible after construction is completed	Site inspection
7	Occupancy and Completion	Parastatal/ Local Govt	To verify compliance with approvals after completion of construction	Site inspection
8	Central government clearance	National Government (delegated to state government for smaller projects)	Adherence to national policies, especially the policies regarding environment, pollution, air-pollution, protection of heritage monuments, etc.	Environmental impact assessment and mitigation plans, minimum standards, etc.

3.2.3 Differential urban planning regimes

The Rapid Review also revealed that differing urban physical planning systems in the states, have a direct bearing on the plan approval processes. Since the Master Plan is a statutory document that establishes development norms, the building plan approval process can be more easily streamlined in cities that have operational master plans as some of the more critical and controversial issues are generally resolved at the Master Plan level. The Rapid Review found that not all states and large cities have/make Master Plans (such as West Bengal). However even in states and cities that have operational master plans, it also found that in many of these cases the Master Plans are not created on the basis of revenue maps, e.g Delhi and Rajasthan. This practise results in development of Master Plans which are essentially conceptual and do not contribute significantly in making the verification of land parcels and their use simpler at the building plan approval stage. Many such states do try and resolve this issue through the zonal planning process, however there are significant time lags between notification of Master plans and notification of zonal plans, reducing the effectiveness of the Master Plan with regard to approval of building and housing projects. There are only a handful of states such as Madhya Pradesh, Karnataka, Gujarat and a few others where the Master Plan are made on revenue plans and where the Master Plans can help in determining a number of issues related to building plan approvals, thereby directly contributing to quickening the Building Plan approval process.

The Rapid Review also found that some cities have re-engineered their processes and have moved to streamlined Building Plan approval processes for housing through a “single window system”. For example, the Greater Hyderabad Municipal Corporation has introduced building permission under what is called the ‘Green Channel’ since 2010 to grant building plan approvals. This was implemented for buildings up to Ground+3 floors (12 meters height) or plots within 1,000 square meters in the approved layouts of

Hyderabad Metropolitan Development Authority (HMDA), (**Box III**). The Pune Municipal Corporation has also successfully re-engineered their building permit processes integrating computerized procedures for submission and verification of documents and drawings through “single window system” (**Box IV**). This system ensures smoother approval of building plans within a fixed time, through the consent of the stakeholders in a transparent manner. Recently, Indore has also started implementation of a similar automated system.

Box III: Green Channel: Hyderabad

The city of Hyderabad has radically revised its building regulations, effectively eliminating the concept of FAR/ FSI as well as coverage, and replacing it with a system of simple controls for setbacks related to road width and height. The quantum of built up area is controlled only by these simple controls. This is an interesting experiment in allowing the market to determine viable density. The GHMC had also introduced building permission under 'Green Channel' on October, 2010 to dispose of building applications and also to eliminate malpractice. It was implemented for buildings up to Ground+3 floors (12 meters height) or plots within 1,000 square meters in the approved layouts of Hyderabad Metropolitan Development Authority (HMDA). As per the norms, applications have to be submitted through registered architects, who would check all the drawings of the proposed buildings and other documents whether they are prepared as per the building rules or zonal regulations for releasing the permission. As per this system, the official concerned would be penalized at the rate of Rs 50 per day, if there is any delay, in clearing files till the permission is granted. The amount would be recovered from the salary of the officer concerned. Most importantly, no additional fee would be levied on builders under this channel.

Box IV: Automated building plan approval: Pune

The Pune Municipal Corporation has re-engineered their building permit processes integrating computerized procedures for submission and verification of documents and drawings through a 'Single Window' system. It has ensured smoother approval of building permission within a fixed time, through the consent of the stakeholders which is a transparent mechanism to approve the Plans. The most important aspect of this approach is the adoption of workflow automation, reducing human error, increasing accountability and enhancing efficiency. After adopting the new system, time required for sanctioning of building proposal has been reduced to 21 days from 45-50 days.

3.3 Key incentives provided by States for Affordable Housing

- 3.3.1 The Rapid Review was also successful in informing the Task Force of the various EWS/LIG Housing schemes and policies in the states studied and the incentives that they provide for Affordable Housing. A summary of the key incentives provided for through different state policies is at **Annex III** and it can be seen that while many States Governments have Affordable Housing policies only a few have proceeded with creating schemes for operationalizing their policies. Some of the key features of two policies/schemes are presented below.
- 3.3.2 Rajasthan Affordable Housing Policy – 2009, provides a set of incentives for projects that are approved under it, which include (a) Additional FAR – Double of the permissible FAR for the relevant zone along with the Transferable Development Rights (TDR); (b) Waiver of External Development Charges, Building plan approval fees and Conversion charges; (c) allowing Commercial use upto 10% of plot area (i.e increased cross subsidy possibility); (d) Fast track approval of the project – within 30 days. The policy also ensures buy back of the Affordable Dwelling Units by the nodal agency of the State Govt. at pre-determined price.

- 3.3.3 Madhya Pradesh Housing & Habitat Policy 2007, does provide for additional FSI in projects which provide higher developed areas for EWS/LIG housing as well as one time transfer of additional FAR to another location prescribed under a TDR Scheme, however the policy is yet to be operationalized.

4. RECOMMENDATIONS OF THE TASK FORCE ON DEFINITIONS

Based on results of the findings of the Rapid Review presented above and a series of consultations and written communications from various State Governments and associations of housing developers, the Task Force has compiled a set of recommendations which are presented in the section below. The recommendations section firstly states the Task Force's position regarding the definition of Affordable Housing; the next sections dwell upon supply and demand side interventions that State and the Central Government should consider providing to Affordable Housing projects; followed by another section which puts forward its recommendations with respect to the revamping of the Affordable Housing in Partnership Scheme (AHP) of the Government of India. The Task Force believes that these sets of recommendations if implemented would help the development of a robust Affordable Housing sector in the country.

4.1 Affordable Housing criteria and core definitions

4.1.1 After studying different Affordable Housing criteria and definitions the Task Force felt that the Government of India should adopt a broad and inclusive set of criteria and could leave it to states and specific schemes to incorporate, more specific criteria as may be felt necessary for implementation in specific contexts. The Task Force suggests that a set of “core criteria” should be adopted, which should form the basis of all policies/schemes at national as well as state level to ensure that there is a synergy and a shared objective across all governmental efforts aimed at the sector. The “core criteria” suggested in these recommendations are in terms of ranges so as to allow for some flexibility to implementing agencies to respond to ground realities and market conditions in the vast diversity of cities across the country.

4.1.2 The recommendations of the AHTF on the “core criteria” that should make up the definition of Affordable Housing projects are, a) Sizes of EWS and LIG Dwelling Units based on Carpet Area; b) Income ceiling of EWS/LIG households; and c) House price to income multiple. These criteria are explained in detail in the following sections.

4.2 Sizes of EWS and LIG Dwelling Units and method of measurement (Carpet Area):

4.2.1 As revealed by the rapid review, definitions based on area across various schemes and states, as shown in **Annex- IV**, have significant variations and hence need clarification and standardization essentially along two aspects:

- i Method of Measurement i.e. Carpet area, Built-up area or Super Built-up area, that should be the basis of the definition of Affordable Housing units.

The Task Force notes that the terminology 'Carpet area' has been used in the Affordable Housing in Partnership guidelines, the Rajiv AwasYojana guidelines ("25 sqmtrs carpet area, including, two rooms, balcony, a water sealed toilet, bathroom, individual potable water connection, and space for a kitchen"), as well as in guidance around the JNNURM. It has also been used in the Draft Real Estate Bill.

The Task Force has taken into consideration, the IS code (IS 3861 : 2002) as drafted by the Bureau of Indian Standards (BIS) and as presented in the "Indian Standard Method of Measurement of Plinth, Carpet and Rentable Areas (Second Revision)" which lays out the method of measurement of Plinth Area, Carpet Area and Rentable Area⁴ in residential buildings. It has also considered the National Building Code of India (NBC), 2005. On reading them together and based on discussions with engineers and planners it has established that-

- ADwelling Unit/Tenement is defined, by the NBC code, as an "independent housing unit with separate facilities for living, cooking and sanitary requirements."
- The Method of Measurement of Carpet Area for residential buildings as per IS 3861 : 2002; excludes facilities for cooking and sanitary requirements.

The Task Force would therefore like to recommend that for defining Affordable Housing Dwelling Units Carpet Area should be used as the universally applicable Method of Measurement. Further that since Dwelling Units are being defined as against residential buildings the Carpet Area calculation should include separate facilities for living, cooking and sanitary requirements which are a minimum of two rooms, a water sealed toilet, bathroom, individual potable water connection, and space for a kitchen.

- ii With respect to Maximum and Minimum area for each Affordable Housing Dwelling Unit category.

⁴"Rentable Area" means the carpet area at any floor level, including the carpet area of kitchen, pantry, store, lavatory, bathroom, fifty percent of unglazed verandah and hundred percent of glazed verandah, in accordance with the provision of the Indian Standard-Method of Measurement of Plinth, Carpet and Rentable Areas of Buildings, IS 3861:2002, formulated and published by the Bureau of Indian Standards and CDBT notification No. 1/2012 [F.No.142/24/2011-SO(TPL)] dated 2-1-2012 on affordable housing under Section 35AD of Income Tax.

For calculating the minimum area of DUs, the Task Force recommends following the National Building Code of India (NBC), 2005⁵ drafted by the BIS, be used as the determining guidance to calculate the minimum Carpet Area for dwelling units of EWS category. The Task Force has taken into consideration that:

- MoHUPA Schemes (JNNURM, AHP, RAY) provide funding support to Dwelling Units based on the Carpet Area of living, cooking and sanitary requirements as well as balconies.
- JNNURM and RAY Schemes provide minimum size of housing unit to be provided on ownership basis to be of Carpet Area of 25 sq.m inclusive of balcony,
- The NBC code, specifies the inclusion of balcony to be an optional⁶ part of the Dwelling Unit. It also lays out minimum requirements in relation to dwelling units that they should have at least two habitable rooms, where the total area of both the rooms is not less than 15.5 sq.m; for separate water closet and bathroom the minimum area should be 0.9 sq.m and 1.2 sq.m and for combined water closet and bathroom it could be 1.8 sq.m and the minimum area for the kitchen should be 3.3 sq.m. It also states that where provided the minimum width of the Balcony should be 0.9 m and a maximum of 1.2 m.

The Task Force recommends that to establish the minimum size of a habitable EWS dwelling unit, the absolute minimum size of areas as presented in the NBC code should be followed. This is recommended, as the Task Force is clear that while larger areas and more facilities, such as store and balcony (increasingly balconies are not provided in high density cities like Mumbai) may be desirable, the increase of costs related to these facilities adds to the cost of the dwelling units and makes them even more unaffordable for the EWS segment. With this in mind the Task Force recommends that the minimum requirements for an EWS unit and the corresponding minimum area should be as below:-

Area of 2 rooms	15.5 m ²
Area of Toilet	0.9 m ²
Area of Bath	1.2 m ²
Area of Kitchen	3.3 m ²
Total	20.9 m ²

⁵National Building Code, 2005 Annex C (Clause 12.20), Special Requirements for Low Income Housing in Urban Areas, C-3 General Building Requirements

⁶As per the National Building Code of India, Annex C (Clause 12.20), C-3 General Building Requirements, C-3.3.4 Balcony, while referring to the minimum dimensions of the Balcony mentions “where provided”, thereby indicating that it is not an essential requirement of a Dwelling Unit/Tenement.

Therefore the minimum Carpet Area of Affordable Housing Dwelling Unit for the EWS category should be taken as 21 m², excluding balconies/verandah which is not essential requirement as per the NBC code.

- 4.2.2 In absence of the criterion of maximum Carpet Area, the developers may resort to constructing DU with larger area for EWS which will make them unaffordable for the target group. So, to discourage such a tendency and to ensure that concessions and subsidies for the EWS segment are well targeted a maximum Carpet Area also needs to be defined. The recommendations in this regard is summarised in section 4.2.4.
- 4.2.3 Moreover, the permissible maximum loading on the Carpet Area to calculate Built-up area and Super Built-up area needs to be established to make it transparent, especially for the Affordable Housing dwelling units, as they may receive concessions and subsidies from governments. The BIS Code IS 3861 : 2002, disallows the use of Super Built-up area, but in practise sale price calculations by developers are based on varying methods of measurement of the Super Built-up area and is therefore directly linked to the income segment to which the dwelling unit is affordable. The Task Force therefore recommends that while Developers move to pricing based on built up area or carpet area a maximum ratio has to be established for Affordable Housing dwelling units which are approved/supported by government. This will also help make the existing Affordable Housing Policy of some states (e.g Rajasthan) that are using Super-built up area as their criterion, compatible. Considering general practices, feedback from developers and local bodies and as per actual calculation of dwelling units of EWS and LIG category, a 25% loading is recommended as the maximum permissible loading on carpet area to calculate Built-up Area and 40% to calculate Super-built-up (Saleable) area⁷.
- 4.2.4 The carpet area for EWS DUs is defined as 21-27sqm and the range of 28-60 sqm for LIG is quite large, which could allow developers to avoid constructing DUs with lower area in the range and thereby deprive certain section of the LIG category to afford houses. So, it is recommended to divide the range as LIG-A for carpet area between 28-40.9sqm and LIG-B for carpet area between 41-60 sqm. This will also enable projects to avail the benefits of Income tax and Service tax under Affordable Housing in Partnership scheme, where the maximum limit of area for LIG dwelling units has been capped at 60 m² by definition itself. Ministry of Finance, GoI (Department of Revenue) vide Notification No. 25/2012-Service Tax has exempted the taxable services by way of construction pertaining to low cost houses under the 'Scheme of Affordable Housing in Partnership' up to a carpet area of 60 square metres. Likewise, CBDT Notification

⁷Calculation on the basis of Affordable Housing Policy of Rajasthan which prescribes plans for EWS & LIG DU, are shown in **Annex-VI&VII**

No. 1/2012 [F. No. 142/24/2011-SO (TPL)] dated 2-1-2012 stipulates rebate for Affordable Housing under Section 35 AD of Income tax act and as criterion has the maximum limit for EWS dwelling units (in other, i.e. non metro cities) as 60 Sq m. In summary therefore the Task Force recommendations on the size of Affordable Housing Dwelling Units are as follows:

- For Economically Weaker Section (EWS): 21- 27sq.m Carpet Area
- For Lower Income Group (LIG-A): 28-40sq.m Carpet Area
- For Upper Lower Income Group (LIG-B): 41-60 sq.m Carpet Area

The Task Force also recommends that these ranges, especially if subsidies are tied to them should have an admissible marginal variation of 10%. Therefore while the minimum area of the EWS would be fixed at 21 sq.m and the maximum for LIGB would be fixed at 60 sq.m, the EWS maximum area could be between 25.2 and 30.8 sq.m and the maximum area for LIG-B could be between 36.9 and 45.1 sq.m. This would give states the flexibility to decide the final area specifications for projects within their particular situations.

4.3 Income criteria based on Income ceiling of households:

4.3.1 The existing income ceiling of EWS/LIG households, as notified by MoHUPA in March 2010 was based on 2008 prices. The Task Force understands that there is a regular process that is followed in the Ministry for revision of the income ceiling of EWS/LIG Households. This Task Force recommends that a regular and systemized process is instated in the Ministry that meets regularly and monitors the adequacy of the income ceiling requirements from time to time through commissioning of studies, if required, to track the progress. It should also aim to develop a transparent indexing method that could adjust these incomes on a biannual basis.

4.3.2 In regard to the current levels of income ceilings the Task Force undertook a set of indexing exercises aimed at determining a reasonable increase in the maximum income ceiling for EWS and LIG household income. The various references and indices used to determine a legitimate recommendation for the increases were a) increase in the average urban per capita income b) the growth in minimum wages for non-agricultural workers; c) based on residential price movement trends as captured by the RESIDEX index maintained by the National Housing Bank; d) based on expenditure parameters: monthly per capita consumer expenditure (MPCE) as captured by the NSSO; e) based on general price movement trends (overall demand-supply-price dynamics): consumer price index (CPI) and/or consumer food price index (CFPI). Please see **Annex VIII** for details.

Table 2: Estimation of EWS and LIG Household Incomes, 2012 based on projections of different indices

Parameter	Index/Reference	Maximum EWS HHI, 2012	Maximum LIG HHI, 2012
Income	Growth in Per Capita Income (PCI)	7477	14953
Income	Minimum Wages for non-agricultural workers	8000	16000
Expenditure	Monthly Per Capita Expenditure (MPCE)	8500	17000
Price: residential	NHB's RESIDEX	7619	15238
Price: General	Consumer Price Index	6796	13592
Price: General	Consumer Food Price Index	6762	13524

4.3.3 Based on the results of calculations as presented in the **Table-2** above the maximum Household Income for the EWS and LIG category are recommended to be Rs. 8,000/- and Rs 16,000/- per month as shown in **Table-3**. Since many beneficiaries in these categories do not have regular monthly income, annual income can also be adopted.

Table 3: Recommended income ceilings

Category	Existing	Recommended
For EWS	UptoRs 5000/-	Rs 8000/- per month per household or Rs 100,000/- per annum.
For LIG-A For LIG-B	Rs 5001-10000/-	Rs 8001- 16000/- per month per household or Rs. 200,000/- per annum.

The Task Force also felt that for cities and urban agglomerations with more than a million population state governments could consider an increase of upto a maximum of 25 percent on the recommended household income levels mentioned above, if deemed necessary, based on proper justification.

4.4 Affordability, borrowing capacity and house price to income multiples:

- 4.4.1 Borrowing capacity of beneficiaries is critical for many reasons as it helps define the affordability limits of the EWS/LIG segments. While on one hand, a higher borrowing norm adopted by financial institutions could lead to faster and quicker penetration of home ownership in the weaker segments, on the other hand it could also lead to non-repayment and crisis in the housing finance sector. Deepak Parikh Committee in 2008 recommended that 40% of the gross monthly income of the borrower could be a benchmark for the maximum Equated Monthly Instalments (EMI). The borrowing capacity as per housing finance industry practice is also restricted to 40 times the gross monthly income of the household. During the consultations with housing finance companies it emerged that in higher income categories this benchmark was often breached, and often even higher percentage of gross monthly income could be accepted, however, in the Affordable Housing segment this ratio was rarely achieved. Other than this input a KPMG report in 2010 has suggested a 5.1 ratio to be the maximum limit of house price to annual income to be followed by housing finance institutions. This high ratio in today's context seems aspirational. However, this may be achievable in individual cases where a larger share of the house price is mobilised up front by the borrower, or there is a capital subsidy scheme by the government, or where there are subsidised interest rates available for these category of borrowers.
- 4.4.2 Considering present cost of dwelling units, an affordability gap is calculated on the basis of a generic model of a housing project that has a mix of EWS, LIG, MIG and HIG category houses. The detailed assumptions and workings of the model case are presented in **Annex-IX**. While the Task Force considered this generic model for its calculations and quantification of recommendations it is well aware that each project is specific and the costs and affordability of dwelling units will vary based on a variety of factors. However in an effort to demonstrate the applicability of its approach it presents the analysis of the Affordability Gap as below in **Table 4**. It is pertinent to point out here that as presented in **Annex-IX**, while the sale price of the EWS/LIG segment used is Rs 1400 per sqft; the overall average of the sale price of the project considering the MIG and HIG segments too is Rs 1600 per sqft. Please see **Annex- IX** for full details.

Table 4: Analysis of Affordability Gap

SL NO.	PARA NO.	CRITERIONS	EWS		LIG-A		LIG-B	
1	4.1 .1 a)	Carpet area (Rentable area) in Sqm	21	27	28	40	41	60
2		Average Carpet area considered for calculation for each category	24		34		51	
3		Average Super-built-up area (loading 40%)	33.6		48		71	
4		Average Sale price Rs 1400/Sqft (See Annexure-IX) (Rs 15064/Sqm) in Rs	5,06,150		7,17,046		10,65,025	
5	4.1.1 b)	Monthly Income upto in Rs		8000		12,000		16,000
6		Total Annual Income in Rs		96000		144000		192000
7	4.1.1 c)	Affordability limit 4 times Annual Income in Rs		384000		576000		768000
8		Affordability gap (Row 8-4)	-1,22,150		-1,41,046		-2,97,025	

4.4.3 The Task Force has also calculated the level of subsidies that would need to be provided to be able to meet the affordability gap between the house price and monthly income in the EWS and LIG A and LIG B categories. Two types of subsidies i.e. Capital subsidies which will reduce the cost of housing as well as Interest subsidies which will increase the borrowing capacity could be required to target housing for the EWS/LIG sector.

The Task Force notes that at current unit prices, EWS and LIG segments cannot afford housing and capital and/or interest subsidies are required.

Towards this end various efforts are being undertaken by the Central government, or are being planned, which include, the development of a Credit Risk Guarantee Fund which provides a risk cover for lenders

against defaults in the EWS/LIG category, an interest subsidy scheme for decreasing the interest burden of borrowers in these categories along with a variety of demand side measures, discussed later in this report. Alongside this with advancement and reduction in costs of monitoring technologies many financial institutions are also putting together robust systems for just in time monitoring and keeping a tab on repayments, which will all go a long way in reducing the risks associated with lending for housing.

With these developments and if such subsidies are available the affordability multiple can be increased upto 5 for EWS and LIG segments, thus making EWS housing affordable for those within the proposed income ceilings. The Task Force recommends that, given the host of measures being conceived and pursue, Banks and HFCs should be encouraged to pursue the desirable goal of a house price to income multiple of 5 as against 3 to 4 for Affordable Housing projects.

5. RECOMENDATIONS ON POSSIBLE INCENTIVES FOR THE AFFORDABLE HOUSING SECTOR

- 5.1 As explained in the earlier in Section 2, the Task Force decided to focus on possible incentives to the Affordable Housing sector. In reviewing the Affordable Housing sector it has built its recommendations on a rapid review of State Government policies, practices and projects, supported by SNPUPR and assisted by Alchemy Consultants; an overview study of international experiences of public investment in housing undertaken by IDFC and supported by SNPUPR; on detailed discussions with a variety of stakeholders including Janaadhar, FICCI, NIUA, CREDAI, Value and Budget Housing Corporation, NAREDCO, DBS Builders among others, and a review by the Monitor Inclusive Markets Group, funded through the SNPUPR project.
- 5.2 The following sections lists and explains the rationale for a host of incentives that could be provided to catalyse creation of Affordable Housing for all. The incentives that could be provided are on the Supply side, i.e. to agencies that are involved in the provision of Affordable Housing, so that they are incentivised to ramp up the Supply and the Demand side, i.e. to the beneficiaries, to give a boost to their affordability so that the need for Affordable Housing is translated to an effective demand which could then drive the market of suppliers of Affordable Housing to produce more such units. Each of the two categories of Supply side and Demand side are further classified into (a) financial and (b) non-financial incentives. Financial Incentives are those which involve direct and quantifiable monetary outlay from governments and non-financial incentives are those which do not need direct monetary outgo from governments.
- 5.3 The incentives are classified into four categories i.e. (1) Supply side financial incentives; (2) Supply side non-financial incentives; (3) Demand side financial incentives; and (4) Demand side non-financial incentives. Most of the incentives are areas where State action is required though a few are in the Government of India domain.

6. RECOMMENDATIONS : SUPPLY SIDE FINANCIAL INCENTIVES

As mentioned above supply side financial incentives are targeted towards reducing the cost of the dwelling units through monetary interventions or concessions to housing providers so that they are incentivised to target and increase the supply of dwelling units in the Affordable Housing segment, thereby also further bringing down the costs of such dwelling units. A key area of concessions to Affordable Housing could be through a set of concessions related to taxes and fees. According to a recent McKinsey Global Institute study, taxes and fees account for approximately 27%⁸ of the final cost of EWS and LIG houses. Reducing this burden will enable developers to provide cheaper houses for the EWS and LIG. In a scenario where there are very limited numbers of dwelling units being built in the affordable segment, these concessions would have a minimal impact on government revenue collections. Supply side financial incentives also include direct monetary incentives such as capital grants and or viability gap funding to Affordable Housing providers and targeting priority sector lending to the developers working in this segment. Many of the recommended incentives would need to work simultaneously to have a significant impact on the growth in the number of affordable housing units being constructed.

6.1 Development Related Charges

In the Rajasthan Affordable Housing Policy, several incentives are offered to developers like waiver of External Development Charges (EDC), Building Plan approval fees, Land conversion charges, etc. Given that there are very few Affordable Housing projects being developed currently, these concessions are not expected to have a large impact in government revenues but can go a long way in encouraging the growth in this sector, especially in certain states where the EDCs are quite high. While

these concessions should be prorated to the amount of floor area of Affordable Housing Dwelling Units to make it targeted, alternate mechanisms will have to be developed by states governments, depending on the quantum of the revenue gap created on granting these concessions to fund external development without loading its costs on Affordable Housing projects. The Task Force strongly recommends States to consider similar concessions in development related charges as best suited to their condition to encourage Affordable Housing projects.

⁸The example provided in Exhibit 3.4.9 of the report estimates 2.4% for stamp duty, 12% for development and approval charges, 2.9% VAT, 3% excise duty on materials, 0.9% service tax and 5.4% income tax (the first three levied by the state government and the last three by the central government).

6.2 Service Tax exemptions

The Department of Revenue, Ministry of Finance, Gol vide Notification No. 25/2012 dated 20th June 2012, Service Tax has exempted the taxable services by way of construction pertaining to low cost houses up to a carpet area of 60 square metres. This concession would be available to all projects which have been approved under the 'Scheme of Affordable Housing in Partnership' framed by MoHUPA. This concession could be up to a level of 3.5 to 4.5 percentage of the project cost and therefore could serve as a major incentive for affordable housing developments. A separate section later in this Task Force report deals with recommendations for revamping the AHP scheme so that this concession is able to yield the intended results.

6.3 Direct Tax rebates for Affordable Housing projects

6.3.1 Considering the importance of housing, the Central Board of Direct Taxes (CBDT) vide its Notification No. 1/2012 [F. No. 142/24/2011-SO (TPL)], dated 2-1-2012 has amended Income tax rules under **Section 35 AD** to include Affordable Housing projects w.e.f 1st April, 2011. This allows for investment linked deductions to businesses, which develop Affordable Housing under a notified scheme. The section 35AD (5) (ac) of the Income Tax Act, provides that where the specified business is in the nature of developing and building or housing project under a scheme for slum redevelopment or rehabilitation framed by the central government or a state government, and which is notified by the Board (CBDT) in accordance with guidelines which state that the project shall have prior sanction of the competent authority empowered under the Scheme of Affordable Housing in Partnership framed by the Ministry of Housing and Urban Poverty Alleviation, Government of India; will be entitled to receive a 100% tax deduction on capital expenditures.

In housing projects, whether slum redevelopments or affordable housing schemes, the expenses specifically related to the projects, whether revenue or capital, are debited to the concerned projects and are deductible from profits of such projects. However, this concession is targeted at equipment used for construction of the project. Example of equipment and other capital expenditure for which benefit of 35AD could be availed by a developers are 1) shuttering material, 2) concrete mixtures/batching plant, 3) Bar binding /welding machines, d) transit vehicles e) pumps and motors, f) tower cranes etc. Other than purchases of these machineries and equipment used in construction projects, there is hardly any capital expenditure in the context of construction of housing which would be allowable as deduction, as most of these projects are G+3 or so developments and the equipment currently employed are not of high value compared to those required for multi-storey developments. The only way this concession could have a greater significance is in projects that use mass construction technologies, such as in situ industrialised monolithic construction methods, which have high initial investment on equipment. While such construction methods has advantages in reducing the time required in construction, in today's

construction methods has advantages in reducing the time required in construction, in today's environment the use of such technologies, which need investments in terms of equipment and machinery, lead to an increase in the cost of the housing. Therefore, the immediate impact of the tax deductions will be minimal and as per some calculations undertaken by the Task Force would be around 1% of project cost. A following section also recommends means to incentivise industrialised monolithic construction methods, so that over a period of time they could lead to reduced costs of construction.

However, the income tax deductions could potentially have a significant impact on rental housing development. In rental housing projects, the units are not sold, but are rented out. The capital investments in land, infrastructure and building remain in the books of the project company as capital expenditure. If the deduction under 35AD (5) (ac) are available for the entire capital expenditure in rental housing projects, the resultant tax benefits would be significant for these projects and will make rental housing a commercially feasible proposition. Therefore, the Task Force recommends that MoHUPA pursue this aspect with CBDT to include the entire capital investment in a rental housing as eligible deduction under 35AD (5) (ac).

The 35 AD section also stipulates that to claim benefits under it, the project, would need to be approved under the Affordable Housing in Partnership Scheme, and should have a minimum area of one acre with at least 30% of total allocable area for EWS, 60% for EWS & LIG, 90% for EWS, LIG & MIG and remaining 10% for other residential or commercial units. The Task Force feels that while the allowance for cross subsidy is well taken, a prescriptive approach on percentage distribution of area for the various segments could be too restrictive especially because the concession is minimal. The Task Force therefore recommends that the 35 AD concession should be available to all projects approved under the Affordable Housing in Partnership Scheme.

- 6.3.2 **Section 80-IA** of the Income Tax Act provides that where the gross total Income of an assessee includes any profits and gains derived by an undertaking or an enterprise from any of the business referred to in sub-section (4) then a deduction equal to 100% of the profits and gains derived from such business shall be allowed for ten consecutive assessment years. Sub-section (4) covers the business of either (i) developing or (ii) maintaining and operating or (iii) developing, maintaining and operating any infrastructure facility which fulfils all the conditions as laid down in the said section. The purpose for introducing the tax benefits was for the reason that industrial modernisation requires a massive expansion and qualitative improvement in infrastructure and to encourage private sector participation and investment. The definition of "infrastructure facility" does not however include Housing. Housing Development companies are engaged in undertaking large scale urban development projects including purchasing raw land and developing it for the purpose of construction of houses, multi-storied buildings, creation of infrastructure and social facilities such as laying of roads, systems for water supply, water treatment,

sanitation and sewerage, solid waste treatment and also to create educational, medical and recreational facilities as an integral part of development of satellite townships. As such, housing projects complements the growing requirement of housing resulting from the large scale ongoing infrastructure development as also tend to reduce the pressure on existing cities by providing low priced alternatives and value for money to the low income housing customers. AHTF therefore recommends that as an attractive incentive to the developers, Affordable Housing projects may also be included in Sub-section (4) to avail the benefit of Section 80-IA. Including Affordable Housing, as per the Task Force definition, as "infrastructure facility" will also assist the financiers of such projects to be eligible for a host of tax concessions otherwise currently available to infrastructure projects. This, the task force feels will go a long way in reducing the cost of the Affordable Housing dwelling units and incentivise the development of such projects.

6.3.3 The objective of the introduction of the benefits under **section 80 IB(10)** was to build housing for low and middle income group; the low and middle income group was however not defined. The tax deduction u/s 80IB(10) available to undertakings developing housing projects is for projects approved on or before 31st day of March, 2008. As the enormous shortage of low cost housing continues, AHTF recommends that provisions of section 80 IB (10) be made applicable for Affordable Housing projects sanctioned after 31st March 2008, at least for ten years till 2018 who fulfil the conditions prescribed by the MoHUPA in this regard and this benefit should be limited to dwelling units that are less than 60 sq.m carpet area in size. Mechanisms to stop the misuse of this section, which led to its withdrawal could be developed by MoHUPA in consultation with State Governments. This could act as a significant incentive, while the Section 80-IA, is being considered for Affordable Housing, and inclusion of Affordable Housing is under consideration under the definition of "infrastructure facility" by the Ministry of Finance, Government of India.

6.4 Inclusion of Affordable Housing into the Harmonized Master list of Infrastructure sub-sectors of the Government of India

Housing including, Affordable housing plays an important role in the economic development of the country. Some key facts about the economic linkages of the housing industry are listed below:

- The Housing sector contributed 5% to the GDP in 2011-12
- Housing sector supports 250 ancillary industries
- Construction sector ranks 4th in terms of additional income generated (agriculture is the 6th sector)
- 16% of the Indian work force is engaged in Construction and Transport Sectors.
- Housing is an important contributor to the economy in terms of income and employment generation. An IIM Ahmedabad⁹ study has pointed out that :

⁹Impact of Investment in Housing Sector on GDP – IIM Ahmedabad, July 2000.

- ❖ Every rupee invested in housing and construction industry generates Rs. 4.71 as income multiplier
- ❖ Every employment created in housing sector generates 7.76 employments in direct and indirect sectors.
- ❖ Housing sector ranks third among the fourteen major sectors in terms of total linkage effect with other sectors of the national economy

It is therefore, clear that the government policies on the housing have a direct impact on the health of the national economy. The Planning Commission in their Approach paper to the Twelfth Five Year Plan titled, 'Faster, Sustainable and More Inclusive Growth' has recognised the need to address the basic infrastructure needs of the urban poor who are largely employed in the informal sector and suffer from multiple deprivations and vulnerabilities that include lack of access to the basic amenities including decent housing among other things. The paper while discussing the challenges in financing has suggested a two-pronged strategy to bridge the gap in resources: to create a policy environment for fostering cost-saving innovations and mobilisation of resources through innovative methods of financing”.

Earlier the National Urban Housing and Habitat Policy (NUHHP) 2007, also expressed the need for active participation of multiple stakeholders viz. the private sector, the cooperative sector and the industrial sector for employee housing etc. In order to encourage these non-government stakeholders to come up with affordable housing projects and also to attract investment in these projects, the Task Force suggests that in creating an enabling environment, a key pillar would be the financial incentives that accompany the acknowledgement of the sector to be recognised as an “infrastructure” sector. At present affordable housing projects do not have the status of infrastructure and therefore promoters of such projects can't avail tax benefits which are available to other infrastructure projects. Hence, inclusion of affordable housing projects in the Harmonized Master List of Infrastructure Sub-Sectors is urgently recommended by the Task Force. Housing, including Affordable Housing has already been accorded infrastructure status by the following entities:

- housing projects which are integral components of road projects already qualify for infrastructure status
- SEBI has included Housing as facilities or services included in the term “Infrastructure Sector”. Under sub clause (8) in its Schedule X of SEBI (ICDR) Regulations. It defines Housing, including the following:
 - ❖ Urban and rural housing including public / mass housing, slum rehabilitation etc.

- ❖ Other allied activities such as drainage, lighting, laying of roads, sanitation facilities etc.
- The World Bank treats housing, and urban services amongst other sectors as infrastructure.
- The recent notification under **Sec 35 AD**¹⁰ also recognizes the need to promote affordable housing and defines the categories of housing are entitled to be categorized under this head. Given this background, the AHTF strongly recommends that MoHUPA pursue the Ministry of Finance to include Affordable Housing projects, in the Harmonized Master List of Infrastructure Sub-Sectors.

6.5 Direct Capital grant support to Affordable Housing projects

6.5.1 Viability gap funding (VGF) : VGF, has been successfully used to provide financial support in the form of grants, one time or deferred, to infrastructure projects undertaken through public private partnerships with a view to make them viable. Gol has established a Viability Gap Fund to aid the PPP infrastructure projects which face the viability gap due to inherent nature of the project. The AHTF recommends that the Government of India should consider making Viability Gap Funding available through the established Government of India facility for Affordable Housing projects too. Also a VGF funding mechanism under the RAY, could be made available for PPP projects based on appraisal of the finances and economics of each project. The AHP revision discussed later in this report also presents a considered approach for the use of a VGF mechanism.

6.6 Developing new avenues for debt financing for Affordable Housing projects

The Task Force recommends that new sources of debt for Affordable Housing projects could go a long way to increase the funding availability and also the interest costs of funds thereby bringing down the final landed costs of dwelling units to the buyers. In this regard it recommends that the MoHUPA should pursue a number of possibilities as listed below.

The Task Force also considered the possible applicability of Public Provident Funds for debt to Affordable Housing projects. Based on the research it undertook it was found that it is not be worthwhile recommending that PPF fund should invest in affordable housing project since the PPFs trustee mandate is to invest in 'AAA' rated debt instruments and affordable housing project will not meet credit standards of "AAA" rated debt instruments. Also by its very intent PPF investment strategy is very conservative. Recognized Provident Fund, are permitted to invest in debt instruments of upto 10% of the corpus

¹⁰Guidelines for notification of affordable housing project as specified business under section 35AD of Income-tax Rules, 1962, in Part II, in sub-part F

institutions in the Private sector companies, provided the debt instrument is rated to be investment grade by at least two approved rating companies. In view of this an advisory should be issued recommending that recognized provident fund should be encouraged to invest in affordable home projects that meet the investment rating norms of such funds.

Life Insurance Companies (other than LIC) are currently in a discussion between IRDA and the Planning Commission to allow the Insurance Companies to invest in debt instruments of Infrastructure Companies. Pending the inclusion of Affordable Home Projects in the "infrastructure" category, the Task Force recommends that MOHUPA should take up with the Ministry of Finance for Life Insurance Companies to permit them to invest in Affordable Home Project Finance subject to usual commercial considerations. Project finance also includes total project costs, that will include the cost of land.

LIC and LIC Housing Finance: They have very limited exposure to the real estate sector of approximately Rs.380 Crore. Additionally through their Housing Finance arm, LIC Housing Finance is expected to allocate about Rs.650 Crores for project finance for the current year. Amongst the investor, LIC and LIC Housing Finance have large funding base and have strong capability to evaluate investment in this sector. LIC and HUDCO must also be encouraged to invest in SPVs that undertake Affordable Home Projects subject to usual commercial terms and conditions. This financing should cover the total cost of project including cost of land.

Other than this the AHTF recommends that Government should also pursue multilateral funding institutions such as IFC and ADB, to fund Affordable Housing Projects both directly through engagement with Private Sector Players as well as participation in PPP programs

6.7 Foreign Direct Investment for Affordable Housing

While Foreign Direct Investment is allowed in Housing projects, as documented in RBI/2012-13/15, Master Circular No. 15/2012-13 dated July 2nd 2012, the Task Force recommends that special dispensation should be made for Affordable Housing projects. The criteria for minimum built up area should be brought down from 50,000/- sq. m to 20,000 sq.m and the minimum investment for joint ventures with Indian partners be brought down from 5 million dollars to 2 million dollars. This is recommended as currently with such high built up area and financial requirements it both precludes within city locations for housing projects as well as size and projects in smaller towns, where there are large requirements for Affordable Housing.

7. RECOMMENDATIONS: SUPPLY SIDE NON FINANCIAL INCENTIVES

There are a number of incentives which do not need direct monetary allocations from governments but could help promote the Affordable Housing sector. Accelerated growth in the sector can be most effectively created by lowering barriers for people to produce (supply) goods and services, such as by allowing greater flexibility and reducing regulation. In this manner supply-side non-financial support from governments will benefit consumers by increasing the supply of goods and services at lower prices, due to increased supply. Typical policy recommendations of supply-side are to remove barriers to promote new market players and increase the availability of the required inputs such as land and labour and simplifying regulation. The section below lists some of the most important supply side non financial interventions that could be taken by state governments to give a boost to the Affordable Housing sector.

7.1 Reduce timelines for approval of Affordable Housing projects

7.1.1 Before construction can begin on an Affordable Housing project, a developer must obtain a series of permits and approvals from institutions at the local, state, and central level. There is considerable variation from city to city on the actual time taken to obtain all permits and approvals in practice before beginning construction. However, all estimates agree that the amount of time taken in obtaining clearances is significant i.e. 1 to 3 years which adds to the cost of the project.

The AHTF strongly recommends that States should take up measures to establish a Single Window, fast track approval process.

7.1.2 Fast track approval systems for the various components of project approval already exist in various cities and states, even if not fully consolidated into a comprehensive system for affordable housing project approvals. The Affordable Housing policy of Rajasthan (As explained in **Annex-V** as Generalized Affordable Housing Implementation Framework) has a commitment for a 60-day approval process. This includes facilitation of land related clearances as well as building permits among other approvals.

7.1.3 The Greater Hyderabad Municipal Corporation (GHMC) had introduced building permission under 'Green Channel' on October, 2010 to dispose of building applications and also to eliminate malpractice. The Pune Municipal Corporation has also re-engineered their building permit processes integrating computerized procedures for submission and verification of documents and drawings through a 'Single Window' system. Each state government should aim to offer similar fast track automated building plan approval system/ Green Channel that is most appropriate in its context to overcome systemic hurdles in that state; the objective being to ensure that delayed approvals don't affect the viability or affordability of housing projects for low income home buyers.

7.1.4 Based on the above successful practices, the following is recommended:

- A simplified set of regulations and procedures for issue of building permits, accompanied by clear instructions/ checklists/ guidelines/ manuals on how to submit an application. This may include, where feasible, empowering empanelled architects (a practice already being followed in a few cities). This should be further supported by IT-enabled packages for work flow automation and web-enabled interfaces.
- Creation of an institutional mechanism to facilitate faster conversion of agricultural land to non-agricultural land within the boundary of the urban planning area where the land is earmarked for residential use in the master plan.
- State should ensure streamlining of all state and local clearances to facilitate approval within a maximum of 60 days. States should constitute institutional mechanism to facilitate the first track approval process.

Streamlining and fast-tracking of central government clearances from Ministry of Environment & Forest, Archaeological Survey of India (ASI), Airport Authority of India (AAI) and Ministry of Defence needs to be pursued by the central government as per recommendations being worked out by the Committee on Streamlining approval process.

7.1.5 As per notification number No. J-11013/56/2004-IA-II (I) dated 14 th September 2006, of the Ministry of Environment and Forests, all building and construction projects above 20,000 sq.m require prior environmental clearance. This requirement has often lead to the projects having to wait for upto 24 months to get clearances for construction. In a 2009 draft EIA notification, MoEF, had proposed to extend the limit of 20,000 sq m to more than 50,000 sq m. However, the MoEF did not persue this recommendation. The objection was that there were very few projects that had areas above 50,000 sqm and virtually the entire real estate sector could move out of the pale of the EIA regulations, thus making the EIA process ineffective for buildings.

However, now it is relevant to review and look into the issue from the perspective of Affordable Housing projects. There is an urgent need of creating huge affordable housing stock for EWS/LIG segment to cope up with fast-growing urbanisation and simultaneously to contain slum development in cities. So, large affordable housing project for EWS/LIG segment should be encouraged to bring immediate growth to this limping sector. However the bottleneck is the 20,000 sq meter built-up area threshold prescribed by M/oEF which mandates that all project proposals above 20,000 sq meters go through the process of MoEF clearance. It is essential for the affordable housing projects to make it affordable for the target group and long idle period for project clearances make them quite unviable due to cost escalation with time.

The Task Force recommends that affordable housing projects should have a special dispensation in getting clearances from the Ministry of Environment & Forest and the threshold for such projects should be increased from 20,000 Sq. meters to 50,000 square meters.

7.2 Inventory of state/ city land holdings and increasing land supply for Affordable Housing

7.2.1 One of the central issues preventing the creation of affordable housing in the most populated cities especially Tier 1 cities is that land is too expensive. In most cities, the cost of land typically constitutes about 20-30% of the final cost of an affordable housing project. In exceptional cases such as Mumbai, this percentage can be as high as 90%, pushing most green field Affordable Housing projects to the periphery of the city. However, Government agencies often own significant amounts of land near the city centers. This land is often well connected to infrastructure but under used. The Task Force therefore recommends that:

- State and cities shall make a full inventory of their land holdings in cities
- Constitute a land bank and prepare an asset management plan for better managing the available land and targeting it supply to create Affordable Housing Dwelling Units

7.2.2 The State action as mentioned above would allow state/local governments to strategically release urban land for housing the urban poor through specially designed mechanisms, while involving State Housing Boards, the Private sector through specifically crafted PPP mechanisms, the cooperative sector as well as the not for profit sector as required. Three models, which have innovated in this regard and are being implemented by various States are presented below:

- To utilize existing land bank for housing by Govt. In partnership with private developers e.g. Model No.4 of Affordable Housing Policy of Govt. Rajasthan (**Box-V**)

Box V: Model-4, Rajasthan
Private developers on Government land
(For Rental housing or outright sale basis)

- Earmarked Government land to be offered free of cost to the developer to be selected through an open bidding process.
- Developers offering maximum number of EWS/LIG DUs (Built up, G + 2/ G + 3 formats) free of cost to the ULB, would be awarded the project. At least 50% houses should be of EWS category.
- Developers shall be free to use the remaining land as per his choice for residential purpose with 10% for commercial use.

To create land bank for housing by owners of private land: Vijaywada Model in Andhra Pradesh for housing on sharing basis under PPP, the illustration of which may be seen in (**Box VI**).

Box VI: Vijayawada land sharing Model under PPP

Vijayawada (60:40) model is an example of land assembly by a negotiated settlement process and consent awarded by the District Collector under sections 31(3) and 31(4) of Land Acquisition Act or eas it another section

The salient features of this model:

- 40% of the total land area can be taken possession of by the Revenue Department
- 60% portion of land shall be given to all land holders after the land use conversion, approval of layout by the UDA and Government and development of infrastructure with funds from Social Welfare Department.
- A scheme on the basis of the above formulae was prepared for acquisition of 226.54 acre of land under 60:40 sharing pattern and submitted to the government by the Collector Krishna District under section 31(3) of LAA.
- After success of the Phase 1 of this project, local farmers, themselves, came forward and expressed their willingness to pool 798.27 acre land under 60:40 sharing basis. A similar process was also followed in Phase II.

Benefits of this Model :

- Financially this model is beneficial.
- The method is participatory as the conditions of land sharing are fixed through negotiations between the farmers (land owners) and the representatives of the government.
- The process of land assembly is less time consuming as there are generally no objections from farmers, as indicated by the second phase of land assembly at Vijayawada, and hence no resistance, litigations or legal stay orders causing delays.

Source: Innovative Land Sharing Model (60:40 basis) under Public Private Partnership a case study of Vijayawada City, Ministry of Housing and Urban Poverty Alleviation (MoHUPA), November, 2011. Unpublished

- Magarpatta Model in Maharashtra is another successful model which aims at innovatively using land owned by farmers themselves. See **Box VII** for details.
- To augment land by developing infrastructure through private investment. The Hyderabad model may be seen in **Box-VIII** and Gujarat model may be seen in **Box-IX**.

Box VII :Magarpatta Model- Farmers as Developers

In this model the land of over 400 acres in Magarpatta City, (7 kms away from Pune railway station) owned by over 120 families consisting of around 800 beneficiaries was pooled in for development of an innovative and integrated township. The idea was to create a self-contained township based on 'walk to work, walk to school' principle.

The salient features of this model are:

- Landowners are percentage shareholders in the company formed by them and entitled to a share in the profits
- Landowners are also entitled to receive a percentage of sale-proceeds in proportion to their land-holdings as and when sales accrue, thereby getting benefit of escalating prices.
- Landowner is not displaced from their ancestral land, instead land is used for empowering the land owner
- Landowners have the opportunity to turn into entrepreneurs thereby creating an employment for themselves and to others.

**Box VIII:
Hyderabad Model**

- The Greater Hyderabad Municipal Corporation (GHMC) has applied Tax increment financing (TIF) to take up capital improvements in peripheral localities lacking roads, underground drains and water supply, parks and street lights.
- TIF is an unexplored financing source in which money is borrowed now to pay for immediate infrastructure requirements and paid over a time period as the facility is used.
- The TIF uses incremental increase in tax revenue caused by development to finance infrastructure improvements. The rationale is that as property values in TIF areas rise and property tax revenues increase, the urban local bodies (ULB) use the growth in property tax revenues to pay off the initial and ongoing economic development expenditures.
- The strategy was to fund capital improvements by accessing bank loans to be repaid by the households, as an annual tax increment, getting immediate benefits due to the implementation of the TIF programme in select neighbourhoods.
- A total approach was followed to develop complete hard infrastructure in all peripheral neighbourhoods by providing water supply, underground drainage, roads, storm water drains and street lights.
- Moreover, neighbourhood residents had to contribute 30% of the local water project cost if internal distribution lines had to be laid. Nearly 800 neighbourhoods were identified based on the existing infrastructure gaps in the peripheral neighbourhoods.
- First, the hard infrastructure requirements were evaluated through a rational-technical survey by engineers. Second, the survey findings were confirmed by the area sabhas, ward committees and the local elected representatives and a 'people's plan' prepared.
- Finally, operational plans were divided into stages, and during the first phase, the following type of neighbourhoods were selected: those already having water supply and drainage network but no roads; those not having water supply or drains, and those requiring only recreational facilities, such as parks and playfields.

Source: Economic Times, published on 12th April, 2012, Author: Sameer Sharma, Former, Municipal Commissioner, GHMC.

**BOX IX
GUJARAT MODEL**

1. Broadly there are four initiatives in Gujarat to deal with affordable housing. The first is under the Regulations for Rehabilitation and Redevelopment of the Slums, 2010. It is aimed at rehabilitation of slums. Similar to the SRA model of Mumbai, the public sector does not build or finance anything, its only involvement is through regulations and incentives such as additional FSI. The developer develops projects on a slum which includes providing housing at no cost to the existing slum dwellers. For the scheme to be approved for construction a society of individual slum dwellers must be formed and 75% of these individuals must agree to the scheme. This scheme is only viable where the land value is very high. The scheme applies to existing slums.
2. The second scheme is under the Regulations for Residential Townships Act, 2009. It relates to private developers who want to develop residential townships. Private developers must purchase at least 40 hectares of land (in cases where Urban Development Authorities exist) or 20 hectares of land (in other relevant authority areas). 10% of the area must be reserved for housing for the Economically Weaker Section.
3. The third scheme is operated under the town planning schemes, where every owner within specific boundaries must provide a certain percentage (30-40%) of the land to government. Government pays market rate for the land, provides all the infrastructure and the value of the owner's land tends to go up subsequently as a result. This increases the efficiency of the plot by 10-15%. The goal of this scheme is to provide land for the future urban development and housing. 10 percent of the land is reserved for Affordable Housing.
4. The fourth scheme is the Urban Land Ceiling and Regulation Act. The Gujarat government has repealed the Urban Land Ceiling and Regulation Act and transferred surplus land to urban local bodies at nominal rates for projects focused on EWS/LIG housing. The government has also come out with special provisions for development of low cost housing, where the owner/authorised developer will provide a minimum built up area of 20sq m subject to a minimum carpet area of 14 sq m to slum dwellers along with water supply, drainage and electricity.

7.3 Increasing Land availability for Affordable Housing Projects

Availability of developed land, which is land with infrastructure, at a low cost is an important requirement for the promotion of Affordable Housing. As part of the RAY reforms the MoHUPA has circulated a draft of the “Model Provision for Amendment to the Respective Municipal Act(s)/Town Planning Act/Urban Development Act/ Preparation of new legislation, etc. as applicable, for reservation of Land for Housing to Economically Weaker Sections (EWS) and Low Income Groups (LIG)” aimed at the reservation of 20 % of developed land (10 % of Gross land) for plotted housing development schemes for the urban poor. The Task Force has noticed that there is considerable resistance to the implementation of this reform, which was initiated in the JNNURM program and also adopted under the RAY program. This is evident that since the start of JNNURM in 2005 a number of States such as Kerala and Jharkhand among a few others are yet to implement it. A few states have tried to implement it they have received limited success, such as Delhi, Gujarat, Himachal Pradesh, Madhya Pradesh, Orissa, Puducherry, Tamil Nadu and Utrakhnad have reserved lower percentages, than that specified. The Task Force is of the opinion that as even with the support of a set of incentives this specified reservation would be too high and beyond the cross subsidy capacity of both the developers/projects as well as the buyers.

Other than the cross subsidy constraint, the Task Force also looked into the basis of the high reservation level of 20 percent of developed land as set out in the reform provision. It was found that the reservation level also quoted in the National Housing and Habitat Policy 2007, has emerged due to the felt need for provision of land and housing to the urban poor living in slums. While the first full survey of slum dwellers is currently being undertaken, as a guesstimate based on the average percentage of the slum population in various larger cities it is believed that the slum population is between 20-25 percent¹¹ of the urban population, hence this level of reservation would be necessary to provide land and housing to the slum dwellers.

The Task Force making use of recent data¹¹ and plans generated by cities evaluated three draft Slum Free City Plans (SFCPoAs) to estimate a) the percentage of slum areas to the net residential area of the city and b) the percentage of the built up area of the slums in the city to the total built-up area of the residential area in the city, to separately estimate the level of reservation required to generate the land to house slum dwellers. In the three cases studied the percentage of slums to the net residential area of the city emerged to be between the range of 9-16 percentage; and the percentage of built up area of the slums to the built up area of the entire city worked out to be between 8.4-14.6 percentage. Based on realistic scenario

¹¹The 2001 Census puts the slum population at 42.6 million which forms 15 per cent of the country's total urban population and 23.1 per cent of population of cities and towns reporting slums. In 2001 the Census of India, collected the slum population data from cities and towns having population of 50,000 and more in 1991. There were a total of 743 cities and towns in that category, of which 640 reported slums.

provided by these analysis, and with a view to also cover the backlog of housing, and given that new housing projects are mainly coming up as Group Housing Schemes and not as plotted developments, the Task Force would like to recommend that the reservation requirement under the RAY programme should be at least 15%-20%,of developed land (8-10% of raw land) or at least 35% of the dwelling units in each project with a plot size of a minimum one hectare. The 35% of the DUs, reserved at the project level, should be for EWS and LIG Category with at least 25% of these DUs are of the EWS category. Simultaneously with this reservation the State governments should also provide compensatory FSI as explained in a separate section. The Task Force feels that this will be better received by the industry and will also increase the number of dwelling units for the target categories. This will create more dwelling units in the states and is a higher requirement than the 25% as provided in the AHP Scheme, currently.

7.4 Increasing FSI and providing TDR facilities

To ensure adequate provision of Affordable Housing, increasing FSI/FAR and providing Transferable Development Rights (TDR) has emerged as a strategy which is gaining momentum in the country particularly in cities where land is scarce and expensive. The Task Force recommends that this approach is used in two situations, as follows. Firstly FAR/FSI should be increased in all Affordable Housing projects where the FSI/FAR is lower than 1.75 to allow for increased cross subsidy possibility to give a boost to the viability of the projects. Secondly in situations where under the Land reservation reform condition under the RAY Scheme where a portion of the land/FAR is handed over to government additional /compensatory FSI at least equal to the FSI actually consumed for EWS/LIG segment in an automatic route(double of the normal FSI, in the case of Rajasthan or compensatory FSI as in Assam, i.e. equal to the FSI consumed for EWS/LIG segment) can be offered to the developer. This additional FSI, if unutilized on the same project land, could be given in the form of TDR, through a zonal planning system, to be used in other parts of the town as per norms and guidelines fixed by the State government in this regard. In both the situations states and ULBs may be required to also increase the applicable density levels. **Box X** and **Box XI** cite examples

Box X: Creation of Additional Land for Slum Housing using FSI

Slum Redevelopment: Gujarat Government has a scheme to re organize the slum area by creating additional land. This can be achieved through incentives of additional FSI, involving PPPs as well as vertical development. The slum redevelopment scheme is a unique way to improve the quality of life. The redevelopment program of such slum areas will be carried out in such a way that, at the initial stage the beneficiaries will be temporarily accommodated at transit camp and the land vacated will be partly utilized for the residential purpose low rise buildings with additional FSI. The balance land available can be developed or sold for commercial purposes.

To enable and incentivize the efforts for the redevelopment / rehabilitation programs for the existing slums in Surat, Government of Gujarat has made amendments to the building byelaws, namely the General Development Control Regulations (G.D.C.R.) of the Surat Urban Development Authority vide. the notification no. GHN/246 of 2007/DVP-1405-4305-L, dated 14th September 2007, the incentive of additional FSI of 50% of the FSI consumed in slum redevelopment is offered to the land owner/developer for the development on the remaining land.

Box XI: Maharashtra – Reservation and Use of FSI for Slum development

THE MAHARASHTRA REGIONAL AND TOWN PLANNING ACT, 1966 (As Modified up to the 31st December 2005): While this Act does not explicitly mention the urban poor / slum dwellers, it deals with a number of planning issues related to the allocation and use of land for development that could affect them. Some key provisions under the Act are as follows:

Section 125 of this Act states that: "Any land required, reserved or designated in a Regional Plan, a Development or any other plan or town planning scheme, for a public purpose or purposes including plans for any area of comprehensive development or for any new town shall be deemed to be land needed for a public purpose within the meaning of the Land Acquisition Act 1894."

Under section 37 (1) of the said act the government issued directions to all municipal corporation /councils to initiate modification in their sanctioned DCRs (development control regulations) to compulsorily reserve 10% land and /or tenements for EWS & LIG housing.

SLUM REHABILITATION AUTHORITY (SRA): Maharashtra has constituted the Slum Rehabilitation Authority (SRA) under the Maharashtra Slum Areas Act, 1971 for the purpose of slum rehabilitation. The SRA implements schemes that focus on redevelopment as well as rehabilitation of slum-dwellers.

The salient features of the Slum Rehabilitation Scheme (SRS) are:

- (i) Tenement density is 500 tenements per net hectare;
- (ii) FSI in the form of prescribed rehabilitation to sale ratio for cities is provided as 1.0. For in-situ development, consumption of FSI is restricted up to 2.5;
- (iii) Transfer Development Rights (TDR) is available against the free-sale component which is approved by the SRA.

7.5 Revision of the Building Codes

Feedback from developers as well as local bodies and state para-statal working in Affordable Housing indicates that many standards and norms, including space standards as well as building performance standards for housing play a significant role in increasing the cost of housing. Each state and urban local body has a different set of standards and norms, which often are not tuned to the requirements of Affordable Housing.

7.5.1 Revision in Planning and Development Norms

As illustrated in **Annex-IX**, as per the studies undertaken as part of this report adoption of inclusive zoning practices as well as optimization of various development norms may be considered by state governments for Affordable Housing. A few of the most important initiatives state governments could take are:

- Develop zones for EWS/LIG/MIG in the Master plan
- FAR/FSI : Liberal FAR/FSI norms to create more housing stock to accommodate as much of the low income segment as possible, subject to minimum of 1.75.
- Ground Coverage: 50%
- Density: Liberal density norms to create more housing stock to accommodate as much of the low income segment as possible, subject to a minimum of 350 DUs/Hectare.
- Parking norms need to be reduced/rationalized for affordable housing projects. The NBC special guideline Annexure-C covers the planning and general building requirements of low cost housing, sets up no special parking norms for EWS/LIG or Low cost housing. This along with the fact that similar lacunae is found in building regulations in most states, makes the developers of low cost housing follow the parking norms of a regular group housing project which is far above the requirement as per the beneficiaries, raising the overall cost of each dwelling unit.

The dwellers of an affordable housing project especially the EWS category may not need a car. A parking space for two wheelers and bicycles should be sufficient for EWS and some proportion of LIG. The requirement is one car parking space for every two flats upto 90 m² floor area and the minimum parking space prescribed is 3 m x 6 m = 18 sqm. The average floor area of a EWS DU is just 30 sq.m (24 sq.m carpet area) and hence the requirement norms of parking space for EWS should not be more than 1/3rd of general norms. Hence the AHTF recommends that a separate norm for parking should be prescribed by NBC for low cost housing and the States should consider having separate parking norms as well.

7.5.2 The “Part III, Annexure C of the National Building Code of India” lays out the norms for low cost housing. This code focuses a great deal on cluster development and the coverage of group housing needs updating. The Task Force recommends that the MOHUPA should carry out a separate study on building standards and norms to revise the provisions of “Part III, Annexure C of the National Building Code of India” with respect to Affordable Housing, especially for group housing society projects which are not included in the code at present. Also, through such an effort the Government of India should also put in efforts towards standardisation of norms and building codes across different regions of the country which could help in development and use of mass housing construction technologies. These technologies if used at scale could reduce the time required in construction and would finally reduce the costs of dwelling units. Some examples of technological innovations and standardization at structural level could be a) Structural Uniform Criteria for symmetrical structures b) Load Bearing Monolithic structures c) Low Rise buildings with monolithic structures; d) Mat Foundations and e) Soil Improvement technologies.

7.6 Policy support for the promotion of mass housing construction technologies

Mass industrial production methods like prefabrication technology or any innovative appropriate technology which could enhance speed and quality of construction could go a long way to reduce costs of construction.

Building Materials & Technology Promotion Council (BMTPC) has been working towards operationalising a comprehensive and integrated approach for promotion of cost-effective, environment-friendly & energy-efficient innovative building materials and construction technologies for housing in urban and rural areas including disaster resistant practices. BMTPC has been successfully facilitating the propagation of these technologies from lab to land. The technologies promoted by BMTPC were supported by up scaling, mechanization, standardization, dissemination, capacity building and field level application. The efforts of BMTPC are concentrated for creating enabling environment as regards affordable housing and sustainable development.

8. RECOMMENDATIONS FOR DEMAND SIDE FINANCIAL INCENTIVES

A host of demand side financial measures could also boost the Affordable Housing Sector and the AHTF recommends that simultaneous action in this regard could go a long way to strengthen the sector. Demand side financial incentives are prevalent in the middle and higher income segments with income tax rebates being made available by the Government of India to the home buyers. In the Affordable Housing segment the Interest Subsidy for the Urban Poor (ISHUP) is a direct interest rate subsidy to low income households.

8.1 Interest Subsidy

- 8.1.1 Government of India has launched the Interest Subsidy Scheme for Housing the Urban Poor (ISHUP) as a key policy instrument for channelizing the flow of credit to address the housing needs of the EWS/LIG segments in urban areas. This scheme was a pioneering attempt towards enabling the weaker sections in the urban areas to gain access to formal sector credit, at affordable cost through the use of the banking industry in the country. The scheme was launched in 2008 and provided for a 5 per cent interest subsidy upto a loan of Rs 1 lakh to LIG and EWS loan borrowers. The Task Force recommends that the ISHUP scheme should be restructured to adopt the EWS/LIG definitions as mentioned in earlier in this report and the restrictive size of the loan against which the 5% interest subsidy is admissible should be increased to at least Rs 5 lakhs instead of 1 lakh, and loans upto Rs 8 lakhs should be eligible.
- 8.1.2 A moratorium for 3 years in payment of EMI may be also be considered to relieve the EWS/LIG housing buyers from the burden of paying EMI and house rent simultaneously while the house is under construction. Lending banks may be asked to explore the possibility of deferred payment of EMI and a scheme to this effect either as a component of ISHUP or in any other arrangement should be created.

- 8.2 **Appropriate reduction of stamp duty for registration of property in Affordable Housing projects:** Most states have stamp duties for registration of property which vary from 5% to 15% of the purchase price of the property. The checklist for mandatory reforms under the JNNURM program also include a "Resolution by Government expressing commitment to reduce Stamp Duty to 5% (or less than 5% if the state so desires) within Mission period". There is a strong case for reducing this further specifically for Affordable Housing dwelling units.

Stamp duty in other countries typically begins at 0% for low-value properties and gradually reaches 3% for high-value properties. After considering all the practices being followed the AHTF recommends that States should adopt a policy of having nominal Stamp duty of Rs 100/- for EWS and LIG category and 5% for higher categories. Rajasthan, Madhya Pradesh and Uttar Pradesh have already implemented a policy of Rs. 100 as stamp duty for the EWS housing. The principle effect of this lower stamp duty will be to reduce the cost of the property and therefore, reduction in the final cost to the beneficiary and the increase in provision of Affordable Housing units.

8.3 Priority Sector Lending for Affordable Housing Projects:

Priority sector lending has been an institutional mechanism since late 1960s for allocating credit to sectors that have high potential for generating employment and improving livelihood. The outcome has been quite encouraging so far.

The Reserve Bank of India has classified the following sectors as eligible for consideration under priority sector: (i) Agriculture; (ii) Micro and Small Enterprises; (iii) Education; (iv) Housing; (v) Export Credit; (vi) Others – such as overdrafts against 'no-frills' accounts, loans to distressed persons, etc. Banks are directed by the Reserve Bank to target 40% of their advances (Adjusted Net Bank Credit-ANBC) to these sectors as per norms issued by it from time to time.

The Union Budget 1999-00 expressed the intent to target 3% of incremental deposits of Banks as loans to the housing sector. Though this has not been formalised as a sub-target in priority sector lending, credit to housing in Gross Bank credit has gone up from 3% (Rs 11,404 crs) in 1999 to 9.28% (Rs 3,46,110 crs) in March 2011 but witnessed decline to 8.88% (Rs.3,88,020 crs) as on 31st March 2012.

As per the RBI notification of July 20th, 2012 numbered RBI/2012-13/138, RPCD.CO.Plan.BC 13/04.09.01/2012-13, the eligibility of housing loans under priority sector lending has been laid out to be as follows:

- “(i) Loans to individuals up to Rs 25 lakh in metropolitan centres with population above ten lakh and Rs 15 lakh in other centres for purchase/construction of a dwelling unit per family excluding loans sanctioned to bank's own employees.
- (ii) Loans for repairs to the damaged dwelling units of families up to Rs 2 lakh in rural and semi-urban areas and up to Rs 5 lakh in urban and metropolitan areas.
- (iii) Bank loans to any governmental agency for construction of dwelling units or for slum clearance and rehabilitation of slum dwellers subject to a ceiling of Rs 5 lakh per dwelling unit.
- (iv) The loans sanctioned by banks for housing projects exclusively for the purpose of construction of houses only to economically weaker sections and low income groups, the total cost of which do not exceed Rs 5 lakh per dwelling unit. For the purpose of identifying the economically weaker sections and low income groups, the family income limit of Rs 1,20,000 per annum, irrespective of the location, is prescribed”.

The fourth clause has been added to give an impetus for the EWS/LIG segment housing and was not in the earlier notification dated July 1, 2011 with the number RBI/2011-12/107, RPCD.CO.Plan.BC 10/04.09.01/2011-12. The following **Table-5** summarises the total banking sector credit in India and the credit to the housing sector.

Table 5: Total banking sector credit to the housing sector

All values in Rs. Crores

Outstanding Housing Loans	2009-10	2010-11	2011-12
Public Sector Banks	202356	239079	273012
HFCs	153188	186348	194360
Private Sector Banks	98573	107031	115008
Total	454117	532458	582380
Total Gross Bank Credit	3088570	3731470	4371350
Housing loans from banks/ bank credit	9.75%	9.28%	8.88%
Category Share			
Public Sector Banks	44.6%	44.9%	46.9%
HFCs	33.7%	35.0%	33.4%
Private Sector Banks	21.7%	20.1%	19.7%

Source: Reports of RBI and NHB

As may be noted, although Government of India was targeting a share of 3% of deposits on an incremental basis, housing loans have reached a share of about 9% on outstanding loan basis within a span of 12 years. As on 31st March 2012, the housing loans in the priority sector category were Rs. 2,52,460 crore as against Rs 2,30,690 crores as on 31st March 2011 accounting for 6.4% and 7.2% of the adjusted net bank credit respectively. Thus, housing loans contributed significantly in the achievement of priority sector lending targets of 40% for scheduled commercial banks.

The **Table-6** below summarises the trend in total housing loans disbursements and loans outstanding by Public Sector Banks viz-a-viz, disbursement/outstanding of housing loans in the loan slab upto Rs. 5 lakhs within the housing loan category.

Table 6: Trends in Housing loan disbursements

All values in Rs. Crores

Public Sector Banks	2009-10		2010-11		2011-12	
	Disbursed	O/S as on 31.3.2010	Disbursed	O/S as on 31.3.2011	Disbursed	O/S as on 31.3.2012
Public Sector Banks						
Total Housing Loans	71875	202356	75171	239079	73831	273012
Housing Loans upto Rs 5 Lakhs	15031	52946	17096	57749	10825	45277
as a % of total Housing Loans	20.9%	26.2%	22.7%	24.2%	14.7%	16.6%
HFCs						
Total Housing Loans	45569	130218	55200	147431	68228	194360
Housing Loans upto Rs 5 Lakhs	4439	24085	4929	23903	2288	18067
as a % of total Housing Loans	9.7%	18.5%	8.9%	16.2%	3.4%	9.3%
Total of Public Sector Banks and HFCs						
Total Housing Loans	117444	332574	130371	386510	142059	467372
Housing Loans upto Rs 5 Lakhs	19470	77031	22025	81652	13113	63344
as a % of total Housing Loans	16.6%	23.2%	16.9%	21.1%	9.2%	13.6%

Source: Data from PSBs and HFCs

Data regarding the size-wise break-up of housing loans by private banks and foreign banks is not available.

From the above table, it may be observed that of the total housing loans disbursed by public sector banks in 2010-11, 22.7% were disbursed in the loan category of housing loans upto Rs. 5 lakh which has declined to 14.7% in the year 2011-12. Similarly, in case of HFCs, this percentage has also registered decline from 8.9% in 2010-11 to 3.4% in 2011-12.

In view of the above, outstanding housing loans upto Rs 5 lakhs which constituted 24.2% of the total outstanding housing loans of public sector banks as on 31st March 2011 has declined to 16.6% as on 31st March 2012. Similar trend was observed in case of HFCs during this period registering decline from 16.2% as on 31st March 2011 to 9.3% as on 31st March 2012. It may, therefore, be reasonably concluded that the share may even be lower for foreign banks and private sector banks.

Moreover, the above classification is only based on the size of the loan; the income levels of the borrowers are not known. There is no formal data available at the national level to show how much of these small ticket loans actually went to the EWS/LIG category. Smaller size loans to economically well off sections are also included in the above. Therefore, the actual flow of credit to the EWS/LIG section is unknown at this point of time. It may also be noted that the above information is on an all India basis and includes housing loans in rural areas also, which is likely to consume smaller size loans. Therefore, EWS/ LIG housing in the urban sector receives a much lesser share than the calculations shown above.

The Task Force notes that despite significant overall growth of institutional credit in the housing sector, the Government priority of making housing credit available to the economically weaker sections remains unfulfilled. The Task Force is of the opinion that a re-look is necessary given the incentives and programmes that are being launched by the Government of India. These initiatives will increase the demand for loans from the EWS/LIG segment and will make the loans more creditworthy due to mechanisms such as Credit Risk Guarantee Fund, upfront capital subsidy of AHP which increases the collateral multiple etc. Generation of demand from this segment needs to be matched with the readiness of the banking system to extend credit to these segments. Keeping these issues in view the Task Force makes the following recommendations:

- 8.3.1 At present, the housing sector loans are far in excess of the Government of India's original target of 3% of incremental deposits. Therefore it may be concluded that directed lending may no longer be necessary to make credit available to the housing sector as a whole. However, specific shortfalls, such as credit availability to the EWS/LIG categories need to be addressed effectively by specific assignment of targets. Presently, there is no sub target for the housing sector loans within priority sector lending targets, for EWS/LIG segments. The Task Force therefore recommends that a separate sub target for loans to EWS/ LIG segment be created. The Credit Risk Guarantee Fund has been created with a corpus of Rs 1000 crores already. This Fund itself is expected to secure loans worth Rs 60,000 crores, assuming non performing loans at 5% and loan loss at 33.33%. Even with a conservative estimate of off-take from this fund over the next five years, an annual incremental demand of Rs 12,000 crores from the EWS/LIG segment could be generated and planned for. Assuming an incremental adjusted net bank credit of Rs 6,00,000 crores per annum, an allocation of 2% would be required to meet the incremental demand generated from the Credit Risk Guarantee Fund. Additional demand may be generated due to other incentives being planned by the Ministry, such as enhanced ISHUP and AHP subsidy. Therefore, the Task Force recommends the creation of a sub target of 3% of the total loans and advances of the banks/gross bank credit for the purpose of housing loans to EWS/LIG segments to be achieved by the end of the 12th Five Year Plan period i.e. 2017.

As on 31st March 2012, the gross bank credit of the banks is Rs. 43,71,350 crores and the outstanding housing loans in the category of loans upto Rs. 5 lakh is Rs.45,277 crores. By fixing a sub-target of 3% of the GBC, the housing loans in the category of loans upto Rs. 5 lakh that could be generated would work out to Rs.1,31,140 crores. As the outstanding loans in this loan size group is already at Rs. 45,277 crores, an additional institutional credit to EWS/LIG segments for loans upto Rs. 5 lakhs, would be of the order of Rs.85,863 crores. The Task Force further notes that the gross bank credit of banks has been growing by about Rs.5,00,000-6,00,000 crores on year on year basis. Therefore, by setting up a target of 3% of GBC, it will further create additional loans upto Rs. 5 lakhs to EWS/LIG segments to the tune of about Rs.15,000 – 18,000 crore on year on year basis. As a result of this, the additional housing loans upto Rs. 5 lakhs to the EWS/LIG segments that could be generated during the 12th Five Year Plan Period (2012-17) would be in the

range of Rs.1,00,860 –Rs.1,03,860 crores i.e. Rs.20,170- Rs.20,770 crores on annual/yearly basis. The Task Force further notes that the public sector banks alone have disbursed Rs 17,096 crores of housing loans with size less than Rs 5 lakhs per loan in the year 2010-11 which has come down to Rs.10, 825 crores in the year 2011-12. In the event that EWS/LIG loans are a significant part of this disbursement, banks may be able to accommodate these loans in the 3% sub-target readily. If it is not so, then it indicates lack of credit flow to the EWS/LIG segment, thus strengthening the justification for creating a sub-target enabling directed lending to focus on the segment that needs it the most.

- 8.3.2 The RBI guidelines on priority sector lending have a separate category of loans for weaker sections and a sub-target of 10% for these loans. Loans to beneficiaries under the National Rural Livelihood Mission and the Swarna Jayanti Shahari Rozgar Yojana (SJSRY) are eligible under advances to weaker sections category. The Task Force that the RBI committee to re-examine priority sector lending framework (Mr. M.V. Nair Committee) has recommended that “In order to encourage construction of dwelling units for EWS and LIG, housing loans granted to these individuals will also qualify under weaker sections.” This recommendation is yet to be operationalized. In line with the recommendations of the Committee, the Task Force recommends that housing loans to borrowers in the EWS/LIG segments should also be considered on the lines of NRLM and SJSRY and should be included in the category of advances to weaker sections and should be made eligible to meet the sub-target of 10% for weaker sections. If the off-take under the EWS/LIG category loans grows significantly, the overall limit for weaker section loans may also be raised further by 2% at a later point of time provided the additional 2% is only for housing loans for EWS/LIG segments.
- 8.3.3 The priority sector lending norms cover only scheduled commercial banks. Housing Finance Companies (HFCs) had a market share of 33.4% in 2011-12 and this share has been growing gradually. The Task Force notes that of the total housing loans disbursed by HFCs in the year 2011-12, the share of loans disbursed in the loan slab of size upto Rs. 5 lakhs is only 3.4% whereas the corresponding figure for public sector banks is 16.6%. Thus, the flow of credit from housing finance companies is lesser than that of commercial banks, and that the flow to EWS/LIG categories may be even lesser. The Task Force notes that NHB has recently introduced a special scheme of refinance for loans upto Rs. 5 lakhs for banks and HFCs focusing on increasing credit flow to EWS/LIG segments. The Task Force, therefore recommends that the National Housing Bank may further develop suitable mechanism (in terms of refinance schemes, promotional and developmental endeavours etc.) to encourage increased flow of loans from housing finance companies to EWS/LIG segments either through a priority sector lending framework or other appropriate measures.
- 8.3.4 The Task Force recommends that in a situation where banks are unable to achieve this sub-target for EWS/LIG segments, the banks may be permitted to make available undisbursed amounts to a Fund to be created for “EWS/LIG Urban Housing and Infrastructure Fund” on the lines of Rural Infrastructure

Development Fund (RIDF). This may be utilised for financing for housing to EWS/LIG through NHB/HUDCO. The rate of interest available for banks on their contribution to this fund may be fixed in a manner similar to that of RIDF. This will incentivise the growth of this segment.

- 8.3.5 As per the existing RBI guidelines on Priority Sector lending, the loans sanctioned by banks for housing projects exclusively for the purpose of construction of houses to economically weaker sections and low income groups, the total cost of which do not exceed Rs 5 lakh per dwelling unit, are considered as part of the Bank's Priority Sector lending.

The Task Force notes that the domestic construction industry has been jostling with steep and steady rise in prices of land, cement, steel rods, bricks and other input material, which have risen significantly over the years. Steel, cement and labour are the key components and accounts for almost 75% of overall construction cost and their prices have witnessed significant increase over the past few years. The input cost on account of labour alone in the construction industry has increased by over 30% during the course of the past couple of years. Besides, the current high interest rate scenario and inflation has also accounted for the increase in the cost of construction and in turn the prices of houses. The rising house prices are indicated/predicted by NHBRESIDEX also wherein in almost all the 20 cities covered under the Residex, have shown increasing trend in prices of residential properties since 2007, the base year. In view of the increase in land prices as also the cost of construction, the Task Force recommends that cost of the dwelling unit in the housing projects sanctioned by banks exclusively for the purpose of construction of houses to economically weaker sections and low income groups, be increased from Rs 5 lakhs to Rs10 lakhs per dwelling unit, to be considered as part of the Bank's Priority Sector lending.

This will provide the necessary boost to the construction agencies and developers to build houses for EWS & LIG households as Rs 10 lakh will cover their entire cost of construction incurred in constructing such houses. At the same time, it will provide them the adequate funds from the banks at competitively reasonable rates.

9. RECOMMENDATIONS FOR DEMAND SIDE NON FINANCIAL INCENTIVES

A host of non-financial demand side measures could also boost the Affordable Housing Sector and the AHTF recommends that simultaneous action in this regard could go a long way to strengthen the sector. State governments could look at ways to integrate, adopt, support and scale up some of the innovations that market and non-governmental organisations are developing. A few such initiatives are shown in **Box XV**.

9.1 Key non-financial problems faced by low income group in accessing Affordable Housing

Feedback from government agencies, developers and other agencies involved indicate that economically weaker and low income families who are interested in home ownership face the following problems:

- Entry barriers for securing home loans (lack of identity proof, address proof, income proof, etc.), due to them being employed in the informal sector and living in informal settlements.
- Entry barriers in terms of the disinclination of financing agencies/ banks to provide home loans to EWS/ LIG families, due to the higher perceived risk of lending to a segment that has fluctuations in their income and the higher costs of servicing the smaller loans affordable by this segment.
- Lack of financial literacy, particularly in the matter of taking and repaying loans from formal establishments such as housing finance companies, due to the limited education and lack of exposure to formal institutions.
- Vulnerability to fluctuations in income often resulting in the inability to hold on the home, due to the informal nature of their employment.

9.2 Case Studies of low income developers and housing finance agencies.

A few case studies from Pune and Ahmedabad, presented before AHTF committee reveals that there has been initiatives by Private developers and Micro finance companies, working in tandem to serve the low cost housing segments as may be seen in **Box-XII, XIII and XIV**. The customers predominantly from the informal sector who lack documentation to prove incomes and therefore are not provided with housing finance by the mainstream banks or financial institutions are served by these Developers and Micro finance companies. The Micro-finance companies have developed innovative methodologies of 'Know your client' to assess income of the buyers. The success of these projects mostly lies in the fact that the developers and micro-finance companies complement each other by taking care of the interest of the customers in this segment and utilize the market which is totally demand-driven.

Box XII : Examples of Initiatives of private developers for low cost housing in Pune

Vastushodh, a developer in affordable housing sector has so far developed 3 million square feet under its two umbrella brands of 'Anandgram' and 'UrbanGram'. The lower income housing developed and marketed as 'Anandgram' are priced in the range of INR 4-15 lakhs and in the range of INR 15-30 lakhs for middle-income group of families.

The location of the projects with land size of 10 acres is 30-40 kms from city-centre with good connectivity. Vastushodh plans to further develop 10 million square feet and to bring Anandgram development on all six approach roads to Pune.

The customers are mix of formal & informal sector like Junior level IT resources, workers from manufacturing sector, self employed in small business. The product are mix of 1 RK, 1 BHK and 2 BHK. Size of units are: 300 sqft for 1 RK, 400-420 for 1 BHK and 550-600 for 2 BHK. For housing finance, the company has tie-up with lenders like MHFC, Gruh, DHFL & HDFC (Rural)

Source: Workshop on Affordable Housing, IHC, July, 2012

Box XIII : Examples of Initiatives of private developers for low cost housing in Ahmadabad

Foliage is a known player in Ahmedabad real-estate market. It evolved a distinct legal, operational and organizational structure in 2008 to address the LIH opportunity in a sustainable and profitable manner. Atmiya Builders was setup as a separate strategic business unit in 2008 after Foliage's recognition of lower income housing as a long-term strategic opportunity. LIH development is marketed under the 'Navjivan' brand. The dwelling units are available in the range of INR 5-10 lakhs.

The location of the projects is 15-20 kms for city-centre with good connectivity and in proximity to the large industrial areas.

The customers are mix of formal & informal sector like workers from manufacturing sector, self-employed in small business.

The product are mix of Mix of 1 RK, 1 BHK and 2 BHK; typically 1RK & 1BHK together account for 90% or more of total units. Sizes of the units are 300-350 sq.ft. for 1 RK; 450-600 sq.ft. for 1 BHK; 630-720 sq.ft. for 2 BHK. For housing finance, the company has tie-up with lenders like MHFC, DHFL & Muthoot.

Source: Workshop on Affordable Housing, IHC, July, 2012

Box XIV : Examples of Initiatives of Micro-finance companies to serve low cost housing sector

Housing Finance Corporation Ltd started operations in 2009 and registered with NHB on 9th Feb 2009. It started lending to informal sector from 15th June 2009. It uses mobile and electronic technologies for interfacing with users including the collection of EMI, managing and maintaining books of accounts etc.

Key Milestones

Touched 10 crores of lending on 16th March 2011 and achieved breakeven in 2012

Refinancing available from NHB/ISHUP subsidy not offered

NHB interest subvention scheme offered – 1416 loans sanctioned with subsidy

Typical overall loan size of 4.2 lakhs

Total number of loans	1,416
Average loan size	4.2 lakhs
Default rates	0%
Average loan tenure	12 yrs
Interest rates- Formal	12%-14%
Interest rates- Informal	12%-14%
Geography of operation	Gujarat, Maharashtra, Madhya P Pradesh, West Bengal, Chattisgarh
Percentage of Informal customers	100%
Percentage of loans below 10 lakhs	100%
Current size of loan book	40 Crs.

Source: Workshop on Affordable Housing, IHC, July, 2012

9.3 Key Recommendations for demand side interventions by State governments

Box XV: Examples of Initiatives to promote EWS/LIG home ownership

- Case No-1: Micro Housing Finance Corporation Ltd
- In the last few years, several new Housing Finance Companies have come up, who focus specifically on informal sector home buyers. Micro Housing Finance Corporation Ltd (MHFC) is one such company. Other such companies include Muthoot Housing Finance Ltd, Home First Housing Finance Ltd and Shubham Housing Finance Ltd.
- MHFC has developed a methodology of dealing with informal sector home buyers, which incorporates the following elements of demand side support:
 - Methods of estimating credit worthiness that are appropriate for informal income sources and earning patterns
 - Customer education specific to home loans, such as banking processes (eg: ECS), identity documentation and repayment norms.
 - Counselling on choice of home to buy (issues such as affordability versus aspiration)

Case No-2: GrihaPravesh

- Many non-profit organizations working with the urban poor are now exploring the possibility of helping low income households in moving towards ownership of legal, mortgagable homes in the formal real estate market. Saath, an NGO based in Ahmedabad is one such organization and GrihaPravesh is a housing facilitation centre that they have set up in collaboration with an affordable housing developer (DBS Affordable Home Strategy Ltd) and with support from the Michael and Susan Dell Foundation. A similar initiative is also being carried out by Mahila SEWA Housing Trust (MHT), another Ahmedabad based organization.
- GrihaPravesh is designed as a membership based community service organization, which provides the following services to its members:
 - Facilitate the selection of appropriate housing
 - Facilitate access to housing finance
 - Facilitate access to community development initiatives such as:
 - skill upgradation and improved livelihood opportunities
 - cultivating banking habits and insurance
 - access to health and education
- GrihaPravesh, started in mid-2011, had enrolled over a 100 members and organized several awareness programs by the end of the year. They have also secured cooperation from other developers and Housing Finance Companies.

Considering this feedback, it is recommended that each state government and urban local body initiate programs to create/ support entities that accelerate the home ownership process in low income groups through the following generic types of interventions.

- As a facilitator to enable the EWS/ LIG families to access institutional credit including subsidies under existing schemes.
- Outreach to low income families on the importance of home ownership for financial security.
- Educational programs for financial literacy with respect to home loans.
- Active handholding in the process of securing home loans and purchasing houses.
- Educational intervention in completed projects regarding building maintenance and community management.

- Interventions in skill development livelihood, health and education in completed projects to ensure the upward mobility of these low income home owners.
- Support new 'Know your client' procedures being adopted by new Housing finance providers.
- As mentioned the RAY guidelines the Task Force recommends the operationalization of the Rajiv Awas Shelter Fund, to be used for funding a instrument to keep the slum/urban poor beneficiary from turning defaulter due to unemployment, death or other genuine distress and thereby risk forfeiture of dwelling unit and foreclosure on loan; the State Governments should develop an instrument could also have a specific window to share the lender's costs of servicing a loan.
- Other than this the State may also consider creating, or enabling, in each slum or city, an Intermediating Agency between the lender and the borrower, which may be a Rajiv Awas Yojana Residents Housing Association of the slum dwellers, or such a housing association in collaboration with a microfinance agency or a joint venture between a municipal or State Housing Board, which will take care of tracking each borrower, and ensuring repayment. In the event of intentional failure to pay the loan, this intermediating agency should also provide help to the lender to foreclose on the mortgage.
- It may be possible and desirable to integrate many of the above interventions with already existing poverty alleviation programs (e.g. SJSRY) of the state government and urban local body.

10. INDICATIVE QUANTIFICATION OF RECOMMENDED SUBSIDIES

10.1 Quantification of recommended subsidies as per the generic model

Based on the generic model adopted by the Task Force with the assumptions and calculations presented in **Annex-IX**, the Tasks Force has quantified the per sq ft impact of each of the concessions recommended, which is presented in **Table 7** below.

Table 7: Summary of per sq.ft impact of the Task Force recommendations

	EWS	LIG A	LIG B
Per Sq ft cost without support (all figures in Rs/sqft)	1400.0	1400.0	1400.0
A. Waiver of Government taxes and charges			
Land related taxes and charges			
Stamp Duty on Land cost	7.56	7.56	7.56
Registration Charges	0.58	0.58	0.58
Planning approvals related			
Coverion Charges (Residential)	6.97	6.97	6.97
Internal Development charge (IDC)	11.62	11.62	11.62
Building plan approval	4.65	4.65	4.65
External Dev Charges	18.59	18.59	18.59
Taxes and Cess			
Cess	8.00	8.00	8.00
Service tax	32.96	32.96	32.96
Works contract tax	32.00	32.00	32.00
Works contract tax			
Reduction in per sq cost due to recommendations	122.92	122.92	122.92
Works contract tax			
B. Pass through effect on developer margin	18.44	18.44	18.44
Total savings per sq ft	141.4	141.4	141.4
Net Cost per sq ft	1258.6	1258.6	1258.6
Impact of reducing approval time	14.3	14.3	14.3
% cost reduction without AHP	11%	11%	11%
AHP Subsidy per sq ft (EWS-1lk;LIG A -1 lk; LIGB -1.25lk)	276.6	166.0	138.3
Net Cost to user	967.8	1078.4	1106.1
C. Financial support to customers			
Cost with Stamp Duty @ 1%	977.4	1089.2	1117.1
ISHUP Subsidy	237.36	253.49	168.99
Effective Cost to user	740.07	835.69	948.12
Cost without support with 5% stamp duty	1470.00	1470.00	1470.00
Net benefit per sq ft	729.93	634.31	521.88
Percentage benefit (AHP and ISHUP together)	49.7%	43.2%	35.5%
Percentage benefit (AHP only)	33.5%	25.9%	24.0%
Percentage benefit (ISHUP only)	30.84%	31.86%	26.09%

As presented in the Table 6 above, if an AHP subsidy of 1 Lakh for EWS; 1 Lakh for LIG A and 1.25 Lakh for LIG B is provided to bring down the cost of the dwelling unit directly and a ISHUP subsidy of 5% on loan sizes upto 5 lakhs is applied along with all the other recommendations the impact on the DU costs can be quite significant – in the case of EWS upto 46.1 %; LIG A upto 43.2 % and LIG B upto 35.5 percent. However it may not be feasible and appropriate to apply both the financial subsidies to the same DU/beneficiary so if only either one of AHP or ISHUP is applied the benefits could be between 28.8 to 31.95 % for EWS; 25.9 to 31.86 for LIG A and between 24.0 and 26.09 for LIG B.

10.2 States to develop Affordable housing policies/schemes

The Task Force recommends that States develop Affordable Housing Schemes/operational guidelines aimed at providing similar concessions and to take optimum benefit of AHP scheme, while creating an enabling framework for creation of affordable housing stock. The possible impact of State concessions is shown in **Table 8**

Table 8: Possible impact of State concessions, without capital and interest subsidies

State Govt. Subsidy calculations	EWS	LIG A	LIG B
Super built up area in sq ft	361.54	602.56	903.84
Cost of DU at Rs. 1400 sq.ft	506150.4	843584	1265376
Adj Cost of DU with benefit of recommendations incl reduced stamp duty to 1%	454377	757295	1135943
Total of State Government concessions	51773	86289	129433

The scheme/policy may have differing strategies and models across cities or even within a city. These schemes/policies should provide clear incentives/concessions both financial and non-financial, which the State/ULB would offer to affordable housing projects by the private sector. A suggested list of such incentives/concessions are as follows:

- Financial Incentives:
 - Government land (if offered) and its price
 - Waiver of development related charges, such as External Development Charges (EDC), Building Plan approval fees, Conversion charges, etc.; levied by State Government or Local Governments
 - Reduction of stamp duty on buying dwelling units in Affordable Housing projects, should be down to a minimum for EWS and LIG category and maximum upto 5% for MIG
 - Buyback price for EWS/LIG DUs
- Non – Financial Incentives:

- Facilitate clearances including those from departments like Fire, Police, PWD, Land revenue etc for approval of Affordable Housing Projects within a maximum period of 60 days.
- Additional FSI
- TDR framework
- Revision of building codes for EWS and LIG segments in group housing projects
- Demand side interventions such as programs to remove entry barriers for securing home loans (such as lack of identity proof, address proof, income proof, etc.); and Entry barriers in terms of the disinclination of financing agencies/ banks to provide home loans to EWS/ LIG families. Other proactive action towards increasing financial literacy, particularly in the matter of taking and repaying loans from formal establishments such as housing finance companies; and development of mechanisms to reduce vulnerability of these sections to fluctuations in income. Finally, the Task Force also recommends that the MoHUPA develop a regular mechanism and consider the constitution of a small working group which can monitor and help implement these recommendations on the ground by handholding the States closely.

11. SUGGESTIONS TO RECAST THE AHP SCHEME

11.1 Introduction

In response to the specific mention in the ToR for “Suggestions for various models for incentivizing the private sector to the States especially with regard to reservation of land for EWS/LIG and their involvement under Rajiv AwasYojana,” the Task Force also studied the AHP Scheme which has been dove-tailed with Rajiv AwasYojana, as an instrument for attracting private sector into the low income housing market segment.

The Affordable Housing in Partnership (AHP) Scheme, was initially launched in 2009. It is aimed at operationalizing the strategy envisaged in the National Urban Housing & Habitat Policy (NUHHP) 2007, of promoting various types of public-private partnerships – of the government sector with the private sector, the cooperative sector, the financial services sector, the state parastatals, urban local bodies, etc. – for realizing the goal of affordable housing for all. On the launch of the Rajiv AwasYojana (RAY), in 2011, AHP was dove tailed with RAY, as it was envisaged to be a key instrument of creating affordable housing stock thereby being part of the preventive strategy against formation of future slums.

The AHP scheme has a budget allocation of Rs 5000 crs and has a vision of supporting 1 million dwelling units across the country. However since its launch in February 2009, there has been limited response to the scheme. Till date only 8 projects, covering 5776 DUs have been sanctioned under the scheme.

One of the reform conditions under RAY is reservation of 20-25% of developed land for EWS/LIG housing in every new public/private residential development. It was expected that land assembly for providing affordable housing units to EWS/LIG segments shall be facilitated through this condition.

The Task Force also obtained feedback from developers of affordable housing projects and State Governments regarding the strengths/ weaknesses of the scheme and the implementability of the reform condition.

11.2 Observations and Recommendations of the Task Force on the AHP Scheme and the reform condition on reservation of land

The Task Force notes that the Affordable Housing in Partnership Scheme of the GoI is a part of the preventive strategy aimed at releasing adequate amount of housing units into the market so that future growth of slums is avoided. The curative strategies of RAY will address the existing slums and therefore the AHP scheme should focus on new development.

The basic aim of the amended AHP is to incentivise land assembly and increase the stock of affordable housing and provide the option of rental housing and dormitories for new migrants to reduce the alarming affordable housing deficit. The AHP scheme was designed as a subsidy for developers, both public and private, who provide EWS/LIG units in their housing projects. It was also envisaged that reform condition of reservation of developed land will require cross subsidies to be provided and that the AHP scheme could be used as one of the instruments of subsidy for developers so that the costs of the dwelling units can be brought down for the final beneficiaries. Thus, it was expected that the twin constraints for affordable housing i.e unavailability of land and unaffordability of the cost of a constructed house for the EWS/ LIG segment, will be addressed.

The Task Force notes that there are a few affordable housing projects in the market which meet the guidelines of the Ministry with respect to physical specifications of EWS/LIG units; however, the units in these projects are sold at a price higher than what is affordable for the EWS/LIG segments. They are also not seeking subsidy under AHP. One of the prime reasons is that the effective subsidy is lower, thus making it operationally inefficient for the developers to seek this subsidy.

The Task Force's own calculations has concluded that the EWS segment may be able to afford housing only if it is made available at a cost of Rs 3 lakh per unit, whereas the smallest available housing unit in the market is priced around Rs 6.0 lakhs. As against this, the AHP scheme allows for only Rs 50,000 as subsidy per unit. Even this amount is not available due to ceilings imposed in the Scheme which is on account of the condition that- "Central Assistance under the scheme will be limited to least of following:

- a) Rs. 50,000 per rental or Dwelling Unit for all dwelling units taking EWS, LIG and MIG units together which are proposed in the project; and
- b) 25% of the cost of all civic services (external and internal) proposed in the project

In all the projects approved/funded so far, the condition of 25% of the cost of all civic services has become the upper ceiling as this has been lower amongst the two options mentioned above. Thus, the average AHP capital support has come to only about Rs 10,000-15,000/ per affordable DU(which includes EWS, LIG and MIG units), which translates to about Rs 19,000 -26,000/ per EWS DU. Therefore the effective subsidy under the AHP scheme is much lower than the intended Rs 50,000.

- a) The effective low level of subsidy under AHP has not attracted developers and this weakness has had the following two impacts:
 - i. There are several ongoing affordable housing projects which may by and large meet the dwelling unit size specifications for EWS/LIG. However, since the AHP subsidies are low, they are not able to make the housing units affordable to the EWS/LIG segment. The projects are effectively targeting buyers in the slightly higher income categories.
 - ii. Due to the reasons explained above, the existing projects do not qualify as Affordable Housing projects. Therefore even the few buyers from the EWS/LIG segments in these projects do not get the benefit of the AHP scheme. They will also not be eligible for the proposed service tax exemptions. The developers of these projects also do not get the benefits available under Sec 35 AD of the Income Tax Act.

The Task Force is of the view that the AHP scheme is not finding adequate traction due to this limitation of low effective subsidy per EWS/LIG dwelling unit, over and above the constraint of unavailability of land which is discussed below. The AHP scheme intended to provide Rs 50,000 per Dwelling Unit for 1 million units as central assistance, but linked the assistance to 25% of the cost of civic infrastructure. Thus, the cost of housing and civic infrastructure were looked at separately while on the ground, both housing and civic infrastructure are provided in an integrated fashion by developers. As a result of following the separated approach, the effective subsidy has been low and did not sufficiently lower the integrated cost of a dwelling unit (housing and infrastructure) to make it attractive thereby failing to achieve the intended objective. Therefore, the Task Force recommends that the AHP scheme be revamped to provide a higher effective subsidy per EWS unit to make it workable.

The Task Force also recommends that the AHP consider the total cost (housing and civic infrastructure) while designing the effective subsidy. In this context it may be noted that housing has been a policy priority for the GoI and the GoI already provides tax concessions on housing loan interest payments upto Rs 1,50,000 per year and principal repayment is also considered under income tax exemptions. The Task

Force notes that for a middle income housing loan of Rs 20 lakhs, the tax benefit in the first year of the loan itself is Rs 30,900, assuming a conservative tax rate of 20.6% (20% tax slab and 3% education cess), 15 year loan term and 9% interest rate. In the later years, the tax benefit reduces as the interest component in the EMI comes down. Over the life of the housing loan, the total tax benefit is Rs 2 lakhs in net present value assuming a discount rate of 9% (equal to the interest rate). The absolute amount of subsidy for a middle income house is thus Rs 2 lakhs. The Task Force therefore recommends that the per DU subsidy under AHP should be raised appropriately and the capital subsidy be focused on EWS units alone.

The Task Force has received feedback from developers that they may be permitted to meet the reservation condition by purchasing affordable housing units from dedicated affordable housing projects in the vicinity and selling them at prices as per the guidelines provided by the respective State Government/ Local Authority. If this is permitted, the policy objective of simultaneously releasing affordable housing units concurrent with higher segment units will be met. This will provide operational benefits to developers of higher income segment projects who will be able to focus on their market segment. It will also help developers of dedicated affordable housing projects by minimising their market risk, since there will be a steady demand from several developers. This would also be operationally simpler as it enables virtual pooling of land. Moreover, it creates a business-business cross subsidy model for affordable housing that can be pursued as a new strategy. The Task Force recommends that the reform condition on reservation could be also met through such virtual reservation. The Task Force recommends that the

Ministry develop detailed guidelines, keeping in mind the following factors;

- a) The units so purchased meet the EWS/LIG-A/LIG-B eligibility criteria; i.e, size specifications, identification of beneficiaries and upper limit on sale price.
- b) The units shall only be purchased from dedicated affordable housing projects that are
 - i. in localities that are within a radius of 5 kms from the project and where adequate civic infrastructure has been already provided
and/or
 - ii. in zones that have the same or higher stamp duty valuations as that of the project location as published by the State Government.

While assessing the dedicated affordable housing project for benefits under AHP, the affordable housing units sold as virtual reservation to other developers will be excluded, to ensure that there is additionality of the AHP outlay.

The Task Force has reviewed the current pattern of subsidy. AHP in its present form provides for a uniform subsidy of Rs 50,000 per EWS, LIG and MIG unit. This discourages projects whose development mix includes HIG as a means of cross subsidising the lower segments as they receive effectively a lesser subsidy. As a result, this does not incentivise developments which provide / earmark more units/FAR for the EWS, LIG units. The Task Force therefore recommends that the existing subsidy is restricted to only EWS units as per proposed specifications and if MIG units are excluded, the subsidy per unit can be enhanced without additional financial impact on the Government of India.

A majority of housing in India has been provided by the private sector for a long time. In the recent years, as a result of increased urbanisation the demand for housing has increased exponentially. At the same time, sustained economic growth and Government policies have increased demand for housing from urban residents. However, the supply of land for housing has not kept pace with these developments. As a result, the private housing market has increasingly started focussing on the upper income segments. As surplus land becomes scarce in urban areas, the demand-supply mismatch will aggravate; affordable housing for low income segments and weaker sections is already unavailable and the gap will become acute in the coming years. Traditionally, the State Housing Boards performed a gap filling role by developing affordable housing units; they were supported by Government budgets and a land bank was provided to them by the State Governments. However, in the last two decades, budgetary support for these agencies has come down steadily and their role in providing affordable public housing has decreased. During the same time, their land bank was also not replenished by the State Government. As a result, today most State housing boards neither receive budgetary support nor have a land bank. Ironically, their role in providing affordable housing is becoming more relevant with the widening demand supply gap in the housing sector. The Task Force is of the opinion that the GoI should strongly support the re-emergence of the state housing boards in the affordable housing segment. Therefore the AHP scheme should also have a separate window for providing assistance to projects that are taken up by public sector entities. The beneficiaries are to be selected and allotments made on a transparent procedure by the State/Implementing agency e.g draw of lottery, based on detailed guidelines approved by the State/UT government.

The Task Force recommends that the practice of fixing different price ceilings for affordable housing units for different classes of cities should continue. In addition, the Task Force recommends that the States factor in the benefit of the subsidies provided by the GoI and other State/local level subsidies while fixing the ceiling price. The Task Force also recommends that the States should consider market factors like cost escalation, phasing of the project, different economies of scale etc while determining the ceiling.

The AHTF recommends that the subsidy of the AHP Scheme should be targeted to EWS, LIG-A and LIG-B segments only and not to the MIG segment as in the current formulation. The Task Force also recommends that the rest of the development mix should be left to the market forces to determine, as long as the minimum specified proportion is reserved for EWS/LIG-A/LIG-B units. As elaborated earlier, if MIG units are excluded and the existing subsidy at a project level is redistributed only to EWS and LIG units, the subsidy available to EWS/LIG units can be enhanced.

11.3 Routing of AHP subsidy

The request for subsidy should be routed through the respective State Level Nodal Agency(SLNA), which shall also ensure beneficiary selection as per guidelines developed at the State level and a mechanism to ensure that the AHP subsidy reaches the final beneficiaries and not used to fund project level inefficiencies. In case of private sector projects, the subsidy could be passed on through the lead financing institution for that project.

11.4 Recommendations of the Task Force on the subsidy aspect of the AHP Scheme

Based on the observations of the Task Force, the recommendations on the subsidy aspects of a revamped AHP scheme are as below. This also draws on the strategy of the MoHUPA to focus capital subsidies on either infrastructure or housing for the EWS category alone, while looking at alternative ways incl. interest subsidies for the LIG segment. The AHTF therefore recommends that two windows for capital subsidy under the AHP scheme should be operative simultaneously:

- Infrastructure focused scheme: Under this a project that meets the minimum criteria of AHP in terms of reservation of DUs for EWS and LIG categories, with the rest of the mix of the project remaining open, could receive 50% of the infrastructure costs of the project, limited to the maximum of Rs 100,000/- per EWS DU into the total number of EWS units in the project. Since the computation of infrastructure costs in some circumstances is difficult, it also proposes a dwelling unit focused window as below.
- Dwelling unit focused scheme: Which will target Rs 100,000/- for EWS DUs alone. The amount of Rs 100,000/- is arrived at based on the observations of the task force related to tax subsidies available to the middle class and the computation that a ISHUP subsidy on a loan size of Rs 3.5 lakhs, given that being the average size of a EWS loan requirement, would be close to Rs 1 Lakh.

ANNEXURE SECTION

Annex I

Initial Terms of Reference including list of members of the Task Force



No. M-11022/1/2009-Housing
Government of India
Ministry of Housing & Urban Poverty Alleviation

Nirman Bhavan, New Delhi-110011
Dated the 26th November, 2010

OFFICE ORDER

Subject : Setting up of a task force for developing transparent qualified criteria and a separate set of guidelines for affordable housing in PPP projects for circulation to States.

In order to remove the complexity and ambiguity in the building bye-laws, incorporation of incremental growth and temporal standards in the density norms etc. and to streamline the approval system for affordable housing PPP projects, it has been decided to constitute a task force for developing transparent qualified criteria and a separate set of Model Affordable Housing Development Plan (AHDP) Guidelines for affordable housing in PPP projects for circulation to States. The 'Model AHDP Guidelines' can potentially be one of the cornerstone documents for the Rajiv Awas Yojana, projects related to both, relocation of existing slums and 'greenfield' creation of affordable housing stock.

2. On completion of the guidelines, a series of workshops will be organised with State Government agencies involved in AHDP sanctioning process. Depending upon the responses of the agencies concerned, a few states would be selected for conducting Pilot Programmes on AHDP sanctioning based upon 'Model AHDP Guidelines'.

3. The composition of the task force will be as under :-

1.	Smt. Kiran Dhingra Secretary (HUPA)	Chairperson
2.	Smt. Gauri Kumar, Additional Secretary (Env. & Forests) – earlier Principal Secretary (UD), Govt. of Gujarat	Member
3.	Shri G S Sandhu, Secretary, State Housing Department, Rajasthan	Member
4.	Shri K Shivaji, CMD, Maharashtra Industrial Development Corporation	Member
5.	Shri Ashish Sharma, Commissioner, Pimpri Chinchwad Municipal Corporation	Member
6.	Shri Debashis Sen, IAS Secretary (Urban Development and Town & Country Planning), Govt. of West Bengal	Member
7.	Shri S P S Parihar, Secretary (Urban Administration and Development Department), Govt. of Madhya Pradesh	Member

8.	Shri V 'Naresh' Narasimhan Architect and Director, Janaadhar Constructions Pvt. Ltd., Bengaluru (Practitioner)	Member
9.	Shri Bimal Patel, Town Planner	Member
10.	Shri Satish Magar, CMD, Magarpatta Township, Pune	Member
11.	Shri Jaitirath 'Jerry' Rao, Value & Budget Housing Corporation Ltd. Bengaluru	Member
12.	Mrs. Deepti Gaur Mukerjee, Director M/o HUPA	Convener

4. The terms of reference for the Task Force will be as under :-

i) The Committee will initially undertake a rapid review of the sanctioning process of Development Plans for affordable housing in representative mega cities and tier-2 cities across India, and will locate the institutional, legal and procedural issues that hinder and slow down the sanctioning process.

ii) With the problematic issues already identified, the Committee will design a two-stage Affordable Housing Development Plan (henceforth, "AHDP") sanctioning process based upon a 'Model AHDP Guidelines' document.

iii) The 'Model AHDP Guidelines' will be a comprehensive document of detailed information on necessary, sufficient and desirable criteria – project details, financial and construction-related – for AHDPs to be sanctioned by different government bodies concerned. The 'Model AHDP Guidelines' will constitute a standard and uniformly-applied (hence transparent) set of directives against which the suitability of all affordable housing projects can be objectively judged. This document will address strategical, tactical and procedural issues.

5. The Task Force will hold its meeting with frequency as per requirement. The Ministry of Housing and Urban Poverty Alleviation (henceforth, the "Ministry") will provide secretariat support to the Committee. The Committee will submit its report within three months from the date of the constitution of the Task Force.

6. Reimbursements: The expenditure towards TA/DA in respect of non-official members for attending the meetings of the Task Force will be borne by the Ministry, as per the Rules & Regulations of TA/DA applicable to Grade-I Officers of the Government of India.

7. The admissibility of TA, DA, conveyance allowance etc. in respect of the non-official members for the meeting of the Committee constituted as above shall be as follows :-

(a) **Air Journey** - The outstation non-official members can travel by Economy Class and to and fro airfare from their normal place of station to the place of meeting will be reimbursed. The Air Travel will be subject to provisions contained in appendix – II of FR & SR

Part-II and the air travel is to be performed by Air India flights and in economy class.

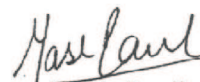
- (b) **Daily Allowance & Conveyance Allowance** – Reimbursement for Hotel accommodation / guest house of up to ₹ 5,000 per day; reimbursement of AC taxi charges of upto 50 kms for travel within the city and reimbursement of food bills not exceeding ₹ 500 per day.
- (c) A sitting fee @ Rs. 2000/- per meeting will be paid to non-official members

The non-official members shall not depute any other person on their behalf and TA/DA will be given to non-official members only if they actually perform the journey and attend the meeting.

8. The TA/DA in respect of official members will be borne by their respective Departments.

9. The expenditure on this account shall be booked under Major Head 2217 Urban Development, Sub-Major Head 05 – Other Urban Development Schemes, Minor Head 191 Assistance to Local Bodies, Corporations, Urban Development Authorities, Town Improvement Boards etc., Sub-head 07-Rajiv Awas Yojana, Object Head 07.00.20 – Other Administrative Expenses under Rajiv Awas Yojana (Plan) under Demand of the Ministry of Housing & Urban Poverty Alleviation for the respective year.

10. The Finance Division has given concurrence to the proposal vide their Dy. No. 386/F/ JS & FA dated 25.11.2010.


(Yash Paul)

Under Secretary to the Government of India
Telefax: 23061285

To

1. Members of the Committee
2. Joint Secretary & FA, Ministry of Housing & Urban Poverty Alleviation
3. Chief Controller of Accounts, Ministry of Housing and Urban Poverty Alleviation.
4. NIC for uploading on the website

Copy to :

1. PS to MHUPA
2. ✓ PSO to Secretary (HUPA)
3. PS to AS & MD (JNNURM)
4. PS to JS(Housing)
5. PS to JS(RAY)
6. PA to Director (HUDCO & RAY)


(Yash Paul)

Under Secretary to the Government of India
Telefax : 23061285

Annex II
Revised Terms of Reference and list of members of the Task Force



No. M-11022/1/2009-H (Pt)/FTS-577
Government of India
Ministry of Housing & Urban Poverty Alleviation

Nirman Bhavan, New Delhi-110011
Dated the 26th September, 2011

OFFICE ORDER

Subject : Setting up of a Task Force for Developing Transparent Qualified Criteria and a Separate set of Guidelines for Affordable Housing in PPP Projects for Circulation to States.

A task force for developing transparent qualified criteria and a separate set of guidelines for affordable housing in PPP Projects for circulation to States was constituted vide Office Order of even Number dated 26th November, 2010.

2. With the approval of the Competent Authority, it has been decided to reconstitute the Task Force as under :-

1.	Shri Arun Kumar Misra Secretary (HUPA)	Chairperson <i>AS</i>
2.	Smt. Gauri Kumar, Additional Secretary (Env. & Forests) – earlier Principal Secretary (UD), Govt. of Gujarat	Member
3.	Shri G S Sandhu, Secretary, State Housing Department, Rajasthan	Member
4.	Shri K Shivaji, CMD, Maharashtra Industrial Development Corporation	Member
5.	Shri Ashish Sharma, Commissioner, Pimpri Chinchwad Municipal Corporation	Member
6.	Shri Debashis Sen, IAS Secretary (Urban Development and Town & Country Planning), Govt. of West Bengal	Member
7.	Shri S P S Parihar, Secretary (Urban Administration and Development Department), Govt. of Madhya Pradesh	Member
8.	Smt. Aruna Sundararajan, Joint Secretary, M/O HUPA	Member
9.	Shri V 'Nares' Narasimhan Architect and Director, Janaadhar Constructions Pvt. Ltd., Bengaluru (Practitioner)	Member
10.	Dr. Bimal Patel, Town Planner	Member
11.	Shri Satish Magar, CMD, Magarpatta Township, Pune	Member
12.	Shri Jaitirath 'Jerry' Rao, Value & Budget Housing Corporation Ltd. Bengaluru	Member

13.	Mr. Pradeep Jain, Chairman, Confederation of Real Estate Developers' , Association of India (CREDAI), New Delhi	Member
14.	Mr. Rohtas Goel, Chairman & Managing Director, National Real Estate Development Council, New Delhi	Member
15.	Mrs. Deepti Gaur Mukerjee, Director M/o HUPA	Convener

2. The terms of reference for the Task Force shall be as laid down in the Office Order dated 26th November, 2010. In addition, the Task Force shall also consider "To give suggestions for various models for incentivising the private sector to the States especially with regard to reservation of land for EWS/LIG and their involvement under Rajiv Awas Yojana".

3. All other terms & conditions stipulated in the Office Order dated 26th November, 2010 shall remain the same.

4. The Finance Division has given concurrence to the proposal vide their Dy. No. 534/D-4/FD/11 dated 23.09.2011.



(Rahul Mahna)

Under Secretary to the Government of India
Telefax: 23061285

To

1. Members of the Committee.
2. Joint Secretary & FA, Ministry of Housing & Urban Poverty Alleviation
3. Chief Controller of Accounts, Ministry of Housing and Urban Poverty Alleviation.
4. ✓ NIC for uploading on the website. *M.E. Nishan*

Annex III State Policies on Housing and recommended incentives

SI No	National/State	Affordable Housing Policy	Year	Key incentives to the developer
1	National	National Urban Housing and Habitat Policy	2007	<ul style="list-style-type: none"> ▪ Relaxation of FAR ▪ Ensuring that 20-25 % of the FAR are reserved for EWS / LIG ▪ Issuance of TDR on road widening clearance for transport bottlenecks in the inner-city areas ▪ Availability of additional FAR in Outer Zones
2	Rajasthan	Affordable Housing Policy (With focus on EWS/LIG housing: For Urban areas of Rajasthan)	2009	<ul style="list-style-type: none"> ▪ Double of the normal FAR, TDR facility, for selected projects ▪ Waiver of EDC, building plan approval fee, conversion charges, ▪ 10% of the total land allowed for commercial use, ▪ Fast track approval.
3	Madhya Pradesh	Housing & Habitat Policy	2007	<ul style="list-style-type: none"> ▪ Additional FSI will be given for providing higher developed areas for EWS/LIG housing. ▪ One time transfer of additional FAR to another location prescribed will be permitted under TDR Scheme.
4	Maharashtra	Maharashtra State Housing policy	2007	<ul style="list-style-type: none"> ▪ Developer shall be paid TDR equivalent to FSI the area of land provided for rehabilitation project ▪ TDR is available against the free-sale component which is approved by the SRA.
5	Uttar Pradesh	Urban Housing Policy	1995	<ul style="list-style-type: none"> ▪ Developer will cross subsidize the cost of EWS and LIG houses from HIG and other higher users under the project. For this purpose, developer will get free transferable FAR equivalent to ground coverage of LIG/EWS houses.
6	Karnataka	Karnataka Housing and Habitat Policy (draft)	2009	<ul style="list-style-type: none"> ▪ Permission for multi-stored flats for EWS/LIG in core city areas along with commercial component and appropriate incentives for PPP.
7	Gujarat	Draft Policy		<ul style="list-style-type: none"> ▪ The incentive of additional FSI of 50% of the FSI consumed in slum redevelopment is offered to the land owner/developer for the development on the remaining land
8	West Bengal (Kolkata)	There is no codified policy for "Affordable Housing" in West Bengal but initiative has taken to build EWS & LIG housing under the flagship of		<ul style="list-style-type: none"> ▪ Land is provided by State government ▪ State Government helps with obtaining building plan clearances

Annex IV Summary of different definitions of Affordable Housing

		Central Government/and Central Government Committees			Independent advisory organizations		Notification by the CBDT - under Section 35AD of the Income-tax Act	State level												
		AHP(2009 & then amendme nt in 2011)	ISHUP(2009)	High Level Task Force on Affordable Housing for All' (Chaired by Deepak Parekh),2008	KPMG(2010)	MGI (2010)	Provisions under Section 35 AD notification	Rajasthan	West Bengal (Kolkata)	Madhya Pradesh	Mumbai Metropolitan Region (MMR)									
1	Size of the DU	(a)In terms of Super built up area EWS: about 300 square feet LIG: 500 square feet		EWS& LIG: 300 -600 sq.ft * MIG: Not exceeding1, 200 sq ft * *Carpet area	EWS: Upto 300 sq. ft. LIG: 300 to 600 sq. ft. MIG: 600 to 1200 sq. ft.		<table border="1"> <thead> <tr> <th colspan="3">Carpet Area Reservation</th> </tr> <tr> <th>Category</th> <th>Specified cities(sq.mtrs)</th> <th>Other cities (sq.mtrs)</th> </tr> </thead> <tbody> <tr> <td>EWS</td> <td>Upto 25</td> <td>Up to 30</td> </tr> </tbody> </table>	Carpet Area Reservation			Category	Specified cities(sq.mtrs)	Other cities (sq.mtrs)	EWS	Upto 25	Up to 30	EWS: 325 sqft* LIG: 500 sqft* MIG: minimum 600 sq. ft *	EWS: 200 square feet * LIG: 400 square feet * MIG : 600-800 sq feet *	EWS: 30 to 39sq.m.* LIG: 49 to 58 sq.m* * Built up area	225 sq. ft. - 270 sq. ft. for affordable housing units.
Carpet Area Reservation																				
Category	Specified cities(sq.mtrs)	Other cities (sq.mtrs)																		
EWS	Upto 25	Up to 30																		

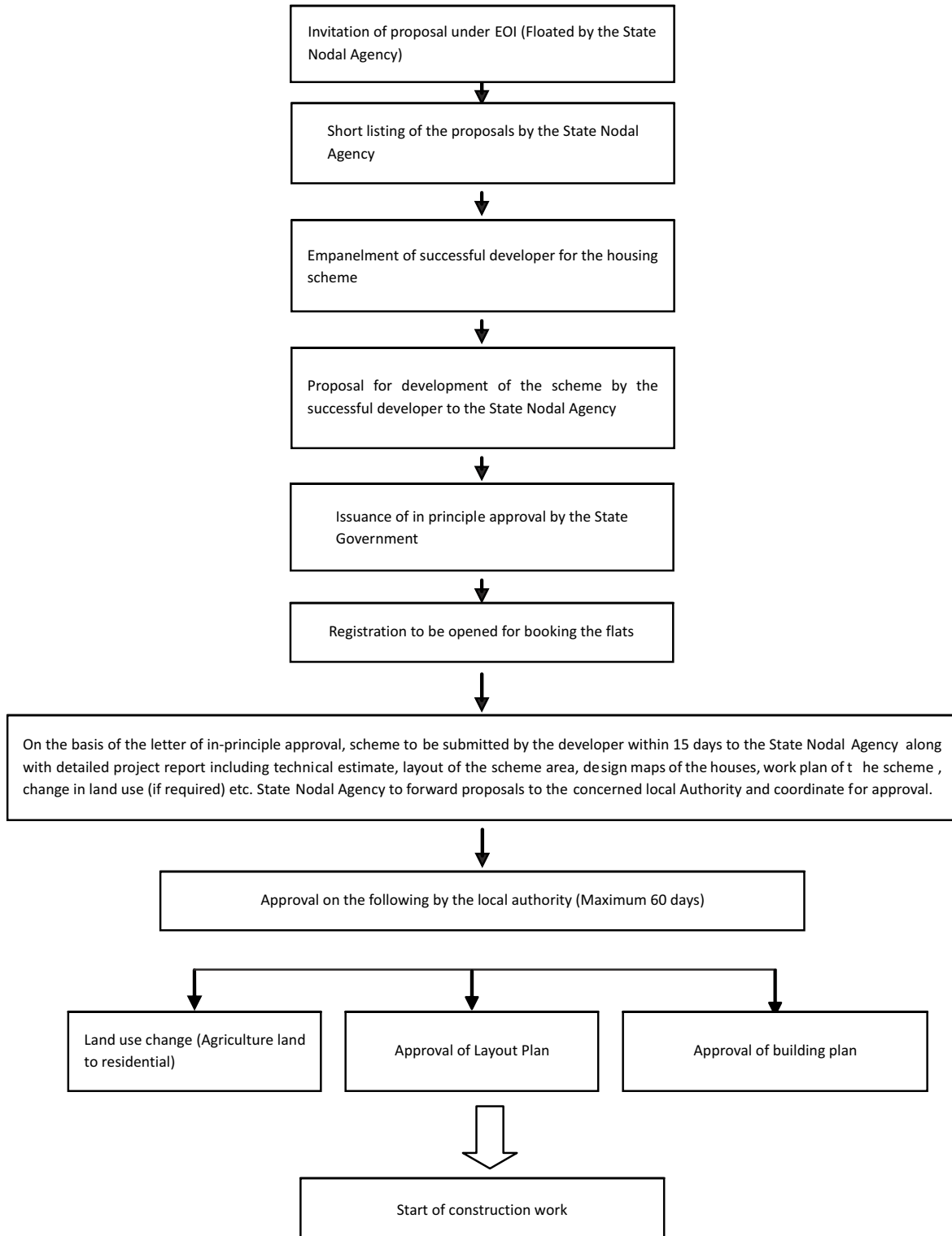
		<p>MIG: 600 to 1200 square feet</p> <p>(b) <u>In terms of carpet area</u> EWS- minimum 25 square meters</p> <p>LIG- maximum 48 square meters</p> <p>MIG- maximum 80 square meters</p>					<table border="1"> <tr> <td>LIG</td> <td>Greater than 25 & up to 50</td> <td>Greater than 30 & up to 60</td> </tr> <tr> <td>MIG</td> <td>Greater than 50 & up to 70</td> <td>Greater than 60 & up to 85.</td> </tr> </table>	LIG	Greater than 25 & up to 50	Greater than 30 & up to 60	MIG	Greater than 50 & up to 70	Greater than 60 & up to 85.	<i>*Super built up area</i>	<i>* Plinth area</i>		
LIG	Greater than 25 & up to 50	Greater than 30 & up to 60															
MIG	Greater than 50 & up to 70	Greater than 60 & up to 85.															
2	Minimum no of DU	Projects with a minimum of 200	NA	NA	NA	NA	NA	NA	NA	NA	NA						

		affordable houses would be entertained.									
3	Allocation of DU	A mix of EWS/LIG/MIG where in EWS –at least 25%.	NA	NA	NA	NA	EWS –at least 30% EWS+ LIG –at least 60% EWS +LIG+MIG –at least 90% Other residential & commercial units -10%.	NA	NA	NA	NA
4	Monthly income	NA	EWS: Average income of Rs 3300. LIG : Rs 3301 to Rs 7300.	NA	EWS: <Rs 1.5 lacs per annum LIG : Rs 1.5 to 3 lacs per annum MIG: Rs 3 to 10	EWS: <Rs 90,000 per annum LIG: Rs 90,000 to Rs 200,000 per annum	NA	EWS: Up to Rs 3,300 LIG: Rs 3,301 to 7,500 MIG: Rs 7,501	EWS: Up to Rs 10,000 LIG: Rs 10,001-15,000 MIG:Rs 15,001-40,000	EWS: Up to Rs 5000 LIG: Rs 5001 to 10,000 <i>Note: The monthly income criterion is either</i>	NA

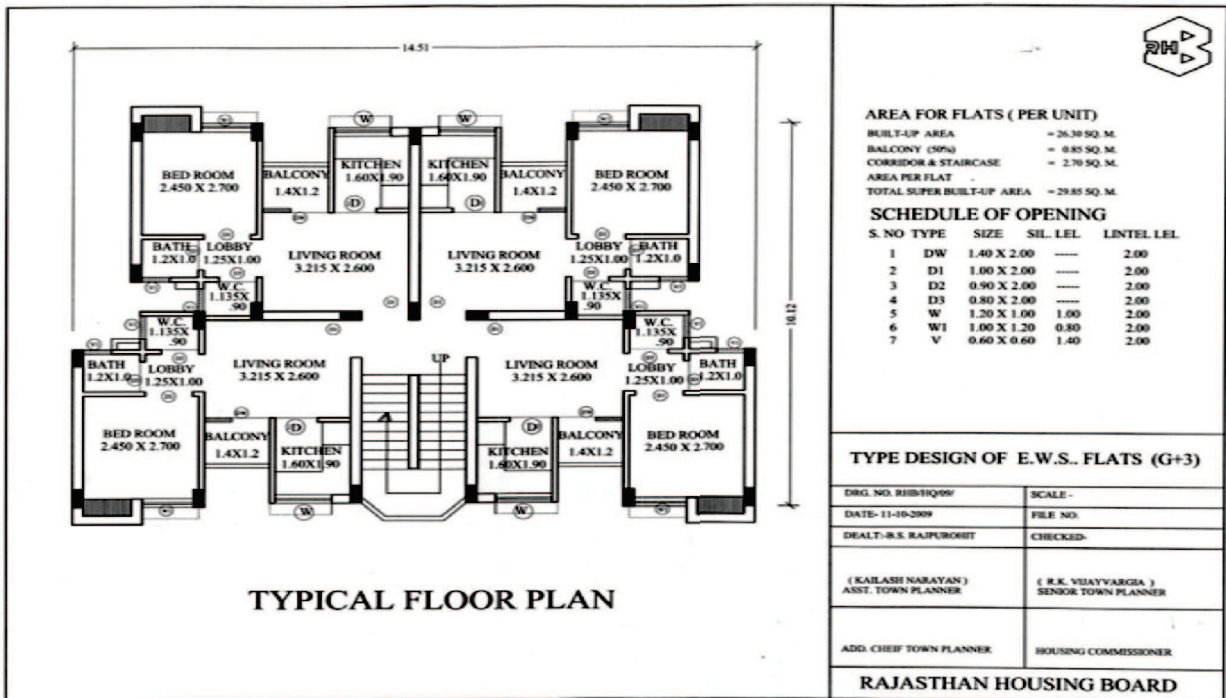
					lacs per annum			to Rs 14,500		<i>mentioned above or as specified by HUDCO or Government of India from time to time.</i>	
5	EMI capacity of users	Not exceeding 30% to 40% of the monthly income	NA	Not exceeding 30 percent of the household's gross monthly income for EWS/LIG unit.	30% to 40% of the monthly income	NA	NA	NA	NA	NA	NA

6	Maximum price of the DU	NA	NA	Not exceeding four times the household gross annual income	< 5.1 times annual income	NA	NA	EWS-Rs. 1.90 lacs LIG Rs 3.25 lacs	EWS-Rs 1.75 lakhs LIG Rs 4.10 lakhs MIG-Rs 9.20 lakhs To Rs 15.00 lakhs	NA	NA
7	Subsidy clearance through Single window	NA	NA	NA	NA	NA	NA	Through single window developer get subsidy	NA	NA	NA

Annex V Generalized Affordable Housing Implementation framework based on the Rajasthan Model



Annex-VI Loading on Carpet Area for EWS

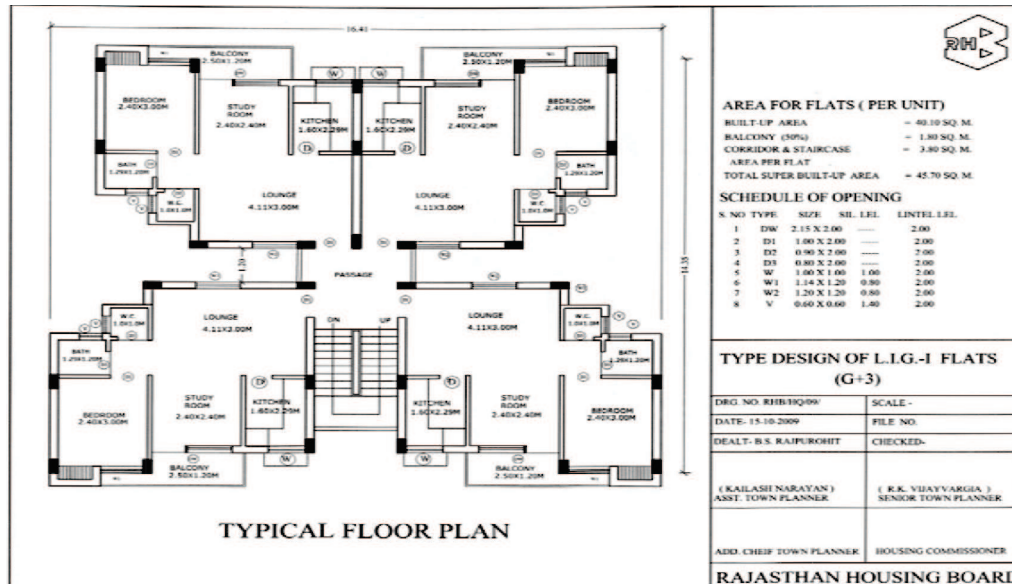


	Carpet Area			Builtpup			Super Built Up			
	L	B	L*B	L	B	L*B		L	B	L*B
Bed Room	2.450	2.700	6.615	2.793	2.986	8.338901	Balcony	1.4	1.2	1.68
Bath	1.200	1.000	1.200	1.486	1.171	1.740482	Corridor	2.2286	1	2.229
WC	1.135	0.90	1.02	1.3636	1.13	1.538959	Staircase	2.2286	3.61	8.054829
Lobby 1	.250	1.000	1.250	1.307	1.114	1.456557				
Living Room	3.215	2.600	8.359	3.329	2.829	9.554418	Total (C+S)			10.283
50% Balcony			0.840			0.84	C+S per flat			2.571
Kitchen	1.600	1.900	3.040	1.829	2.243	4.101367				
Total			22.326			27.571	Super Built Up Area			30.982
Load on Carpet Area				23%			39%			

Assumptions

Outer wall	0.2286
Inner wall	0.1143

Annex-VII Loading on Carpet Area for LIG



	Carpet Area			Built Up area			Super built up area				
	L	B	L*B	L	B	L*B	L	B	L*B		
Bed Room	2.4	3	7.2	2.57145	3.17145	8.155225	Balcony	2.5	1.2	3	
Study room	2.4	2.4	5.76	2.5143	2.5143	6.321704	Balcony1	1	0.6	0.6	
Bath	1.29	1.2	1.548	1.46145	1.37145	2.004306	Total Balcony			3.6	
WC	1	1	1	1.2286	1.17145	1.439243					
Lounge	4.11	3	12.33	4.2243	3.1143	13.15574	Corridor	2.1143	2.3143	4.893124	
Kitchen	1.6	2.29	3.664	1.77145	2.5186	4.461574	Staircase	2.1143	4.4043	9.312011	
Lobby	1	1.2	1.2	1	1.2	1.2	Total (C+S)			14.20514	
Balcony 50%			1.8			1.8	C+S per flat			3.551284	
Total			34.502			38.538				43.88907	
Load on Carpet Area							12%			27%	
Assumptions											
Outer wall	0.2286			Inner wall	0.1143						

Annex-VIII

Summary of the proposal for revision in regards to fixation of income ceilings for ISHUP Scheme

ISHUP and its linkage with income ceilings

1. Government of India has launched the Interest Subsidy Scheme for Housing the Urban Poor (ISHUP) as a key policy instrument for channelizing the flow of credit to address the housing needs of the EWS/LIG segments in urban areas by enabling to gain access to formal sector credit, at affordable cost through the use of the banking industry in the country. The scheme was launched in 2008 and provided for a 5 per cent interest subsidy to EWS and LIG loan borrowers. This was premised on defined income ceilings of LIG and EWS segments, based on prevailing conditions and assessments during 2007-08.
2. The scheme has technically come to an end as on 31 March 2012, i.e., the last year of the 11th Five Year Plan, with the provision that loans extended during that period would be honored under the terms of the scheme.
3. The Ministry is in the process of revamping and re-launching ISHUP for making the needed impact in addressing housing needs of the urban poor. The redesign includes the scheme to be re-launched on a larger scale, with a target driven approach, changed operational modalities including measures for incentivizing and enhancing active bank participation etc. A component of the revamping process is to appropriately review and re-fix income ceiling levels for EWS/LIG that would be relevant, contemporary and applicable for the 12th Five year plan duration (since costs and other circumstances have changed since the previous ceilings were set).
4. Since presently the Steering Committee responsible for monitoring and administering of the existing scheme stands dissolved as on 31st March 2012, and the new Steering Scheme is yet to be established along with the revamped scheme guidelines, a proposal has been sent to the Hon'(ble) Minister HUPA for approval of the revised income ceilings for EWS/LIG, as worked out below. Once the revised Income Ceilings are approved by the Hon'ble Minister, EFC with the revised Income Ceilings would be forwarded to Ministry of Finance and Planning Commission. The enhanced income ceiling definitions as recommended in the 2nd Meeting of the Steering Committee of ISHUP and after soliciting comments from the Planning Commission and the Department of Expenditure, Ministry of Finance were duly incorporated and proposed/adopted in the 3rd Steering Committee meeting in 2009 as below. Views and responses had also been solicited from states.:-.

Table- 2: Proposed revision in income ceilings

	1	2	3
	2008	2009	2009
	Scheme guideline	Proposed by 2nd Steering committee	Adopted by the 3rd Steering Committee based on Planning Commission's suggestions.
EWS	Upto Rs.3000	UptoRs.4100	UptoRs. 5000
LIG	Rs.3301-Rs.7300	Rs.3301- Rs.7300	Rs.5001-Rs. 10000

1. The last revision was undertaken in 2009. To counteract the impact on the poor of increased cost of construction, inflationary pressures, banker perceptions on loan affordability etc. there is a pressing need for a fresh revision in the income ceiling references for EWS/LIG with the specific reference to application of the proposed revamped ISHUP scheme to align with the current income and cost increases.
2. This ministry had requested HUDCO to provide computation for proposed income revision. HUDCO based their recommendations on six parameters for income ceiling assessment and projections. These are based on trends in identified income parameters, expenditure parameters, general price parameters and specific price trends in residential housing. A composite summary and comparative statement highlighting the income levels derived by the application of the six alternative methods is shown in the table below:.

Table-A Comparison of Income Ceilings derived by six methods**(Rs.)**

Parameter	Index/Refernce	EWS	LIG
Income	Growth in Per Capita Income (PCI)	7477	14953
Income	Minimum Wages for non-agricultural workers	8000	16000
Expenditure	Monthly Per Capita Expenditure (MPCE)	8500	17000
Price: residential	NHB's RESIDEX	7619	15238
Price: General	Consumer Price Index	6796	13592
Price: General	Consumer Food Price Index	6762	13524

A pragmatic approach would be to adopt averaging of these varied figures derived from various factors indicating the income and expenditure levels of urban poor. The figures work out to Rs. 7526 for EWS and Rs. 15051 for LIG. Factoring in sufficient cushion for taking care of increases in these parameters in the near future, it is proposed to fix the income ceiling for EWS at Rs. 8000/- and that for LIG at Rs. 16000/-

Annex-IX
Model for Affordable Housing In Partnership
MODEL FOR AFFORDABLE HOUSING IN PARTERSHIP

Private developers on land owned by them, Mixed type of EWS, LIG, MIG and HIG
INCENTIVES: FAR: 2.00 Gro und coverage: 50% and Density: 350 (Maximum limit)

PARTICULARS	EWS	LIG -A	LIG-B	MIG	HIG/ COMM- ERCIAL	Total	Remarks
Carpet Area as proposed in AHTF Report	(21-27 m2)	(28-40 m2)	(41-60 m2)	(61-80 m2)			
Average Carpet Area in m2	24.00	40.00	60.00	70.50			
Super-built-up area in m2	33.60	56.00	84.00	98.70	154.00		
in Sqft	361.54	602.56	903.84	1062.01	1657.04		
Minimum % of total FAR proposed	25%	25%	10%	10%	30%	100%	
Land Area in Hectre	1.00						
Land Area in Sqm	10000						
Land area in Sqft	107600						
Land Area in Acre	2.49						
FAR	2.00						FAR 2.00 is optimum. *
Total Super Builtup Area in Sqm	20000						
Total Super Built-up Area in Sqft	215200						
Super Built-up area in m2 for categories	5000	5000	2000	2000	6000	20000	
Nos of DU	149	89	24	20	39	321	
% of Dwelling Units actually achieved	46%	28%	7%	6%	12%	100%	
50% Ground coverage	5000				Density DU/Hectare	321	Density near 350 **
Nos of Floors	4	G+3					

* FAR fully consumed within total 4 floors without the use of lift and below 15 m height restriction of NBC and also to keep Density below 350 DU/Hectre and Sale Price within Rs 1600/Sqft

** High density of 500 DUs/Hectre is allowed as per NBC, but only for Cluster development , 350 may be recommended for revision by NBC from present 150 Dus/Hectre for Affordable Housing projects and 175 Dus/Hectre for Group Housing projects.

ANALYSIS OF COST OF A REAL ESTATE PROJECT

MAJOR HEADS	SUB HEADS	Unit			Rate Rs	AMOUNT	Percent	
LAND					Rs 300/Sqft			
	Land cost	Acre	300.0		1,30,68,000	3,25,39,320		
	Site development,	5%			of land	16,26,966		
	Stamp Duty on Land cost	8%			of land	16,26,966		
	Registration Charges	acre			50,000	1,24,500		
					TOTAL	3,59,17,752	10%	
GOVT. FEES & CHARGES								
	Coverion Charges (Residential)	sqmtr			150	15,00,000		
	Internal Development charge (IDC)	sqmtr			250	25,00,000		
	Building plan approval	Sqmtr of Builtup area	20,000		50	10,00,000		
	External Dev Charges	Sqmtr of Builtup area	20,000		200	40,00,000		
		TOTAL				90,00,000	3%	
EXTERNAL DEVELOPMENT								
	Roads & Footpath	Rs 200/ Sqft of 50% of open area of plot			Sqft	200.00	1,08,46,440	
	Water supply, Sewage, Drainage							
	External Electrification							
	Compound wall & gate,							
		TOTAL					1,08,46,440	3%
CONSTRUCTION								
Dwelling Units including Electrical, Plumbing and Fire Services	EWS/LIG/MIG-A including Community buildings like Schools, Community hall	Sqft	1,29,120		800	10,32,96,000		
	MIG-B/ HIG/COMMERCIAL	Sqft	86,080		1,200	10,32,96,000		
		TOTAL				20,65,92,000	60%	

BANK INTEREST /INSURANCE	Bank Term Loan /Insurance	of construction cost 5.0%		1,03,29,600			
		TOTAL				1,03,29,600	3%
TAXES							
	Cess	of construction cost			1%	20,65,920	
	Service tax	of construction cost			4.12%	85,11,590	
	Works contract tax	of construction cost			4%	82,63,680	
		TOTAL				1,88,41,190	5%
SALE RELATED COSTS							
	Promotion	of construction cost		L/S	2.5%	51,64,800	
		TOTAL				51,64,800	1%
ADMINISTRATIVE COST							
	HR Employment, office etc	of construction cost			0.5%	10,32,960	
	Maintenance charge	of construction cost		L/S	2.0%	41,31,840	
		TOTAL				51,64,800	1%
		TOTAL COST				30,18,56,582	87%
	ADD						
	DevelopmebrM argin+overhead				15%	4,52,78,487	13%
	Cost of Project + Profit					34,71,35,070	100%
					Average cost - Rs/Sqft	1,613	

Say Rs 1600/Sqft

- Since the Construction cost for EWS/LIG is considered as Rs 800/sqft in place of Rs 1200/sqft for higher income group, the overall average cost for EWS/LIG segment is Rs 1400/sqft.



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For further details, please contact:

Additional Secretary & Mission Director (JNNURM &RAY)
Ministry of Housing & Urban Poverty Alleviation
Government of India
Room 116-G, NBO Building,
NirmanBhawan, New Delhi-110108

Tel: +91 11 23061419 | Fax: +91 11 23061420

E-Mail : as-jnnurm@nic.in