

Issues with Affordable Urban Housing in India

An analysis

On 17th June, 2015, the Union Cabinet chaired by the Prime Minister gave its approval to the ***Housing for All by 2022*** Mission - ***National Mission for Urban Housing*** to address the issue of affordable housing in urban areas. Current estimates indicate the need to develop 4.8 crore housing units in urban India by 2022, which would require an investment of up to USD 1.8 trillion¹. ***Since Housing and Land are state subjects***, it is imperative that both the Central Government and the State Governments work together to develop a comprehensive policy framework to meet the requirements in a planned and time-bound manner. It is in this context that this brief seeks to provide an insight into the housing shortage existing in urban areas, an overview of the new mission and also highlights a successful programme from Singapore.

Urbanizing India and the issue of 'shelter poverty'

India has been experiencing urbanization at an extremely rapid rate in the past two decades and currently has **53 million-plus cities**. Our urban population is expected to reach a figure close to **600 million by 2031**. This is not simply a demographic shift, but places cities and towns at the centre of India's development trajectory. In the coming decades, the urban sector will play a critical role in the structural transformation of the Indian economy and in sustaining the high rates of economic growth. Ensuring high quality public services for all in the cities and towns of India is an end in itself, but it will also facilitate the full realization of India's economic potential. While the increasing urbanization presents a lot of opportunities, it also poses a set of unique challenges, which need to be addressed in a planned and time-bound manner. One such challenge is the urban housing shortage prevalent across the 4,041 statutory towns in the country.

The ***Isher Ahluwalia Committee Report on Indian Urban Infrastructure and Services*** highlighted the existence of 'shelter poverty' due to housing shortage in urban areas, which manifests itself in the form of mushrooming of slums and pavement dwellers. The issue is more acute in the Economically Weaker Sections (EWS) and Lower Income Groups (LIG)², thereby creating a mismatch between the supply of housing units and the demand from those needing it. The ***Technical Group on Urban Housing Shortage 2012-17*** estimated the total housing shortage at **18.78 million in 2012, and EWS and LIG categories account for 96% of this shortage**. Moreover, Census figures showed that 13.7 million or 17.4% of urban Indian households lived in a slum in 2011.³

98.32 million housing units occupied; **78.48 million** housing units used for residential purpose.



Total of **11.82 million** housing units either lying vacant or remain locked; Rapidly growing stock of vacant houses a big concern

Housing stock has grown 51% between 2001 and 2011 whereas number of HHs has grown by 46.88% in the same period

Reasons for Shortage

Congested Houses: 14.99 mn (80%)
Obsolescent Houses: 2.27 mn (12%)
Katcha Houses: 0.99 mn (5%)
Homeless Condition: 0.53 mn (3%)

¹ Decoding Housing for All by 2022 – a KPMG Report

² EWS Households are defined as those with income of up to INR 5,000 per month, whereas LIG Households are defined as those with income between INR 5,001-10,000 per month

³ Census defines a slum as "residential areas where dwellings are unfit for human habitation" because they are dilapidated, cramped, poorly ventilated, unclean, or "any combination of these factors which are detrimental to the safety and health"

Previous schemes of the government have not been successful in addressing the housing deficit

Status of housing schemes*	BSUP	IHSDP	RAY	AHP
Houses sanctioned	916196	525991	120912	20472
Houses completed	542104	273682	1154	3416
Houses occupied	384367	207394	0	965
Houses under construction	230516	153026	16064	3352

Source: MHUPA; BSUP = Basic Services for Urban Poor, IHSDP = Integrated Housing and Slum Development Programme.

*All numbers till July 2014. BSUP and IHSDP were part of the Jawaharlal Nehru National Urban Renewal Mission (JNNURM). AHP (Affordable Housing in Partnership) was being implemented under the Rajiv Awas Yojana (RAY) by the Ministry of Housing and Urban Poverty Alleviation. Even till March 2015, 7731 houses out of the total sanctioned number of 1.9 lakh were completed under RAY/AHP

Highlights of the National Urban Housing Mission

The NUHM will be launched as a Centrally Sponsored Scheme on 25th June 2015. It seeks to meet the gap in urban housing units by 2022 through **increased private sector participation** and active **involvement of the States**. It has four broad components or verticals out of which credit linked subsidy would be implemented as a Central Sector Scheme and not a Centrally Sponsored Scheme. The Mission would initially cover 500 Class I cities and will be spread across 3 phases (2015-2022)

- a) **Slum rehabilitation of Slum Dwellers with participation of private developers using land as a resource** - The Centre would provide a grant of INR 1 lakh per house to the state for deployment in the development of any slum rehabilitation project
- b) **Promotion of affordable housing for weaker section through credit linked subsidy** - An interest subsidy of 6.5% on housing loans will be provided to EWS/LIG categories, which can be availed upto a tenure of 15 years. Will cover all the 4,041 statutory towns from the beginning
- c) **Affordable housing in partnership with Public & Private sectors** - Central assistance at the rate of INR 1.5 lakh per house for the EWS category will be provided
- d) **Subsidy for beneficiary-led individual house construction or enhancement** - Central assistance at the rate of INR 1.5 lakh per house for the EWS category will be provided

The salient features of the NUHM are:

- 1) Provides the flexibility to the States to choose the option, which can best meet the demand of housing in their states and also empowers them to formulate and approve projects for faster implementation of the projects.
- 2) Promotes the adoption of modern, innovative and green technologies and building material for faster and quality construction of houses, which would be selected based on discussions with regulatory and administrative bodies.
- 3) Provide technical and financial support in accordance to the Guidelines to the States to meet the challenge of urban housing

Public Housing in Singapore – a successful model

Today, more than 80% of Singapore's population is living in public flats, with 93% of them *owning* their flats. Because of this, the public housing model of Singapore is considered as one of the most successful examples of affordable housing models in the world. The Housing and Development Board (HDB) is Singapore's public housing authority and a statutory board under the Ministry of National Development. As Singapore's sole housing agency, the HDB is unique in its organizational structure, function, and approach to housing. It operates like a single, comprehensive source for housing development and coordinates planning, land acquisition, construction, financing, and policy for housing in Singapore. By centralizing its public housing effort, Singapore has avoided the problems of government silos and fragmentation of duties that are associated with multi-agency implementation.

The unique aspect of Singapore's housing model is that emphasis is on ownership rather than rental. Affordability is ensured through a set of modalities, including the provision of different unit sizes, progressive mortgage payments (based on income levels), low interest rates and government subsidies. For example, government subsidizes low-income groups and first time buyers for buying houses. Till date, HDB has developed more than 900,000 flats in Singapore, which have been given to Singaporeans.