

IAS PARLIAMENT

A Shankar IAS Academy Initiative

YOJANA - SEPTEMBER 2017



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I N D E X

YOJANA – SEPTEMBER - 2017

SL.NO.	TITLE	PAGE NO.
1	AFFORDABLE HOUSING IN URBAN AREAS	3
2	FINANCING AFFORDABLE HOUSING	5
3	HOUSING THE POOR IN SMART CITIES	6
4	INFRASTRUCTURAL REQUIREMENTS FOR HOUSING FOR ALL	7
5	REGULATING THE REAL ESTATE SECTOR	9

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1. AFFORDABLE HOUSING IN URBAN AREAS

What is the issue?

- Cities are engines of growth and innovation. Urban Indian now form one third of population and they produce more than three fifth of GDP.
- It has been increasingly realised across the globe that sustainable housing and urban development have a crucial bearing on life and social and economic well being of the life.
- Goal 11 of SDG aims to make cities and human settlements inclusive, safe, resilient and sustainable. India having acknowledged this need unveiled the Mission of Housing for All.

What are the needs & challenges?

- According to the data from Ministry of Housing and Urban Poverty Alleviation, there is a shortage of 18.78 million housing units, of these the Economic and weaker section (EWS) alone accounts 56.2 percent.
- It is estimated that Indian urban population which registered an annual growth rate of around 2.76 in 2011 is expected to grow to 814 million by 2050.
- Scarcity of developed and encumbrance free land, increase in the cost of construction, lack of

private participation, absence of viable rental market, inaccessibility to home loans by poor are some of the hindrances in this sector for its development.

- The technological innovations in low cost building material and construction practices lack popular acceptance in the market.
- There are also certain regulatory constraints such as long and cumbersome approval process, environmental clearances, lack of clarity in building laws and implementation of the master plan.

What are the Government Initiatives?

- Since Independence Government has adopted many policies starting from Integrated Subsidised Housing Scheme in 1952 to recently launched Housing For All Mission.
- The first ever National Urban housing and Habitat Policy was announced in 2007 to promote private participation in making the affordable housing to all people.
- Various measures like Real estate regulatory authority, promotion of FDI and GST are some of the recent measures taken by Government to promote and regulate Housing sector.
- The GST implemented will dismantle the barriers in order to create single, unified market with tax transparency

and predictability and improving supply chain efficiency.

- The Government also accorded the "Infrastructure " status to the affordable housing, which will make the project loans affordable and in turn reduce the prices of homes for buyers.
- The Budget 2016 - 17 and 2017 - 18 provided the platform for creating an enabling environment with fiscal concessions such as direct tax benefits under the Income Tax act, relaxation in FDI norms and standardisation of definition of Capet area.
- For the EWS and Beneficiary Led Housing Construction (BLCH), the central assistance is given at 1.5 lakhs for the construction of new houses or for the up gradation of old houses.
- In order to achieve innovative sustainable modern building technologies, a Technology Sub Mission has been set up to facilitate under the process of PMAY - U Component.

Various schemes which are converged to provide sustainable housing to the citizens as follows -

- Housing is one of the core areas of **SMART CITIES** mission. Area based development is the key approach in smart city mission, which is expected to transform existing areas including slums into a well planned areas.

- **AMRUT** adopts a project approach to ensure basic infrastructure services relating to water supply, sewerage management, storm water drains, transport and development of green spaces and parks with special provision for meeting the needs of children.
- The **SBM-U** focuses on making urban India free from open defecation and achieving 100 percent scientific management of municipal solid waste in 4,041 statutory towns.

Deen Dayal Antyodaya Yojana-Rashtriya Shahri Aajeevika

- Mission seeks to enhance the employment opportunities and incomes of the urban poor through skill development and building shelters for homeless, supporting street vendors in creating infrastructure, innovative support to rag pickers, differently abled etc.
- **NUHM** aims to improve the health status of the urban population particularly slum dwellers and other vulnerable sections by facilitating equitable access to quality healthcare with the active involvement of the urban local bodies (ULBs). Convergence of this mission with PMAY helps in holistic development.

2. FINANCING AFFORDABLE HOUSING

- Housing is an important sector for an economy as it has inter linkages with nearly 270 other industries. The development of housing sector can have a direct impact on employment generation, GDP growth and consumption pattern in the economy.
- In India, housing finance market is very complex when analysed in context of demand and supply of housing units, especially in face of scarce land in urban areas.
- The Government both at the centre and the states, is a facilitator and is assisted by two banks namely Reserve Bank of India and National Housing Bank.
- The RBI regulates commercial banks and partially cooperative banks while NHB regulates housing finance companies.
- In 1957, village housing programme was introduced to provide loans to individuals and cooperatives.
- Indira Awas Yojana was formally launched in 1985 had its origin in earlier schemes of rural and landless employment launched in 1980 and 1983 respectively.
- The role of Government has switched from that of the provider of housing units to more of a market facilitator.
- National Buildings Organisation was started in 1954 and Housing and Urban development corporation Ltd in

1970 to comprehensively deal with problems of housing shortages.

- The central and state Governments have been offering tax concessions for housing sector.
- The Government has also opened up real estate sector to Foreign Direct Investment (FDI), where in 100 percent of FDI in townships, built-up infrastructure, construction development projects and real estate through automatic route has been permitted.
- The RBI asked the banks to lend a stipulated amount of incremental deposits to housing under priority sector which includes financing individuals and others including cooperatives.
- Other measures like investment made by banks in Mortgage Backed Securities (MBS) since 2004 as flow of credit to housing, assigning lower risk weight to housing and benign interest rate environment has contributed to increasing housing loans.
- international agencies like World Bank has channelled funds through National Housing Bank to expand housing to LIGs.

International Experience

- In advanced countries housing finance markets have a history of more than 200 years like Danish Mortgage lending system which dates back to 1795 and German system to 1769.

- In advanced countries main features of housing finance are covered bonds and mortgage backed securities.
- In most advanced countries except USA, government has a formal mandate to provide affordable housing to LIGs.
- In case of emerging countries, main lenders in housing markets are Banks and covered banks are not available except Czech Republic, Hungary, Poland and Russia.
- In most of the emerging countries the government support is available in most of the cases in terms of subsidies, tax deductions, and early withdrawal of provident funds.
- In Malaysia, Government provides special mortgage liquidity facilities. In Brazil, China, Indonesia, Singapore government institutions are major players in mortgage market.
- In countries like Singapore & Denmark provision of affordable housing is to entire population. But in countries like Malaysia and Canada it is meant only for the LIGs.
- In Canada, government provides waivers of developmental charges as well as priority in permit for not for profit developers.
- In Netherlands, low income housing assistance is provided only in terms of subsidized rent while in Spain ownership of the property is also subsidised.
- In Bangladesh, government supports resettlement camps, in addition to grameen bank and other micro finance institutions.

3. HOUSING THE POOR IN SMART CITIES

- India's quest to leapfrog to become a developed country got a fillip with the launch of the smart cities mission, a fast track mission mode scheme.
- The launch of two more schemes - Atal mission for Rejuvenation and Urban Transformation (AMRUT) and PMAY Housing for All mission, addresses some of the pressing needs of the Indian cities i.e improved quality of services, improved governance and provision for housing.
- In the housing sector the smart city mission has the component for in situ slum rehabilitation, slum redevelopment, affordable housing for EWS and LIG, rental housing etc.,

Challenges

- When the slum redevelopment is done, the rehabilitation is done usually in a distant place where the slum community refuses to move such location for economic reasons.
- Sustainability and maintenance of the dwelling units are another area of challenge. Housing of poor must not be a target meeting exercise but it must improve the quality of life.
- Low cost solutions that will sustain the life of the building and building designs that are suitable to the low income groups must be the part of the provision of housing in smart cities.

- Housing for slum dwellers must be designed and implemented with the participation of slum community.
- Private sector must also promote participatory planning i.e discussing the design of buildings, dwelling units and building materials with the potential residents.
- It is also argued that the implementation of Smart cities mission through the formation of special purpose vehicles is anti poor as the private sector is not keen on undertaking housing for the poor.
- The poor as well as other income groups need rental accommodation too as many are not permanent settlers in the cities in which they work.
- Affordable rental housing is also an pressing need in order to prevent the development of new slums.
- While the government is providing the interest subsidy, the main concerns remains whether the poor can access to credit facilities and able to take full advantage of that provision.
- Land acquisition and getting approvals of different agencies is a time consuming process which hinders the development of housing sector as it make cost overrun for private developers.
- Climate change will result in rise in temperatures, and the poor will be the worst sufferers and green and sustainable housing methodologies can be adopted.
- The designing and construction of housing can be made from some innovative materials like recycled plastics, metals etc.,
- The Glass Fibre reinforced Gypsum panels can be used in construction as it is affordable and durable for the LIGs and EWS.

4. INFRASTRUCTURAL REQUIREMENTS FOR HOUSING FOR ALL

- The public housing programme in the country started with the rehabilitation of refugees immediately after the independence and since then it is a major focus area of the government for poverty alleviation.
- Housing is the basic necessity as well as part of the construction industry and important sector of the economy as it contributes 8 percent of GDP and provides second largest employment second to agriculture sector.
- The housing industry is one of the fastest growing sector in India. With a large population base, rising income level and rapid industrialisation leads to growth in this sector.

Opportunities

- The new houses can be designed for energy efficiency - providing houses with good light and ventilation to reduce the energy needs.

Programmes started for Urban settlement

- The Jawaharlal Nehru National Urban Renewal Mission (JNNURM) was launched with the objective of reforms driven and fast track development of cities across the country, with focus on bringing about efficiency in urban infrastructure, service delivery mechanisms, community participation and accountability of Urban Local Bodies (ULBs) and Parastatal agencies towards citizens.
- Affordable Housing in Partnership (AHP) aims at operationalizing the strategy envisaged in the National Urban Housing and Habitat Policy (NUHHP) of 2007 and was launched in April 2009. It seeks to promote various kinds of public-private partnerships -government with the private sector, the cooperative sector, the financial services sector, the state parastatals, urban local bodies, etc-to create affordable housing stock.
- Rajiv Awas Yojana was launched with a vision of a slum-free India. This scheme focus, not only on curative aspects of existing issues of urban poverty alleviation, but also perspective plans to ensure that every citizen of India, whatever their socio-economic status, is not forced into slum-like conditions in the future.
- The budget 2017 proposed infrastructure status to affordable housing and also increased the allocation from 15,000 crores to 23,000 crores.
- Land conversions, building plan scrutiny and approvals, obtaining construction permits and other long list of obtaining NOCs are cumbersome and time consuming.
- The rules of obtaining land for the development projects also is different in different states as land is a state subject.
- With rapid increase in urban population and continuing expansion of city limits, the challenge of delivering water in Indian cities is growing rapidly.
- Pollution of water, air and land contributed to various kinds of respiratory illness and fever complaints like Chickengunya, Dengue etc.,
- The most common threat to urban area is flooding, erosion and water pollution and the provision of water will become more and more pivotal.
- The extent of water supply and sanitation facilities is inadequate and even in those areas which have the water supply it is intermittent and often poor in supply.
- The demand for freshwater or drinking water for drinking and industrial uses will go up once cities grow up. This must be addressed.
- The disposal of waste water and effluents from industries also pose a grave hazard as it can pollute the environment and also the health of the people are also at stake.
- The management of solid waste generated in the cities leaves a great

Challenges

deal to be desired, although the generation of waste is at much lower rates than other countries.

- When the lifestyle changes, the usage of packaged material also increases. This in turn creates a hazard in creating the garbage of non bio degradable materials which will impact the environment negatively.
- The highly inadequate and poor public transport system in Indian cities not only poses a major challenge to realising growth potential of the economy but also have adverse health effects.

5. REGULATING THE REAL ESTATE SECTOR

- Real Estate (Regulation and Development) Act (RERA), 2016 comes into force tomorrow i.e May 1, 2016 setting in motion the process of making necessary operational rules and creation of institutional infrastructure for protecting the interests of consumers and promoting the growth of real estate sector in an environment of trust, confidence, credible transactions and efficient and time bound execution of projects.
- The real estate sector comprises of four sub sectors - Housing, Retail, Hospitality and Commercial. The growth of this sector is well complemented by the growth of corporate and the demand for office space as well as urban and semi urban accommodations.

- It is one of the fastest growing sectors contributing about 9.5 percent of GDP and also became the prime employment generator in India.
- The Central government has identified 305 cities and towns under Housing for All mission, also called PMAY, which has targeted to build 2 crore households for urban poor by 2022.
- RERA will provide a common ground for both buyers and developers and reduce risks which were faced by the people earlier.
- It is expected that RERA will bring new hope for home buyers, make the sector transparent and boost the confidence of investors to invest in real estate market.

Key Features of RERA

- Applicable both for commercial and residential real estate projects.
- Establishment of 'Real Estate Regulatory Authority' in States/UTs to regulate real estate transactions.
- Mandatory disclosure of all registered projects, including details of the promoter, project, layout plan, land status, approvals, agreements along with details of real estate agents, contractors, architect, structural engineer etc.
- Deposit of specified amount in a separate bank account to cover the construction cost of the project for timely completion of the project.

- Establishment of fast track dispute resolution mechanisms for settlement of disputes through adjudicating officers and Appellate Tribunal.
- Civil courts jurisdiction prohibited from taking up matters defined in Bill, however, consumer court allowed to hear real estate matters.
- RERA has made a stringent provision for developers to put 70 percent of the money collected from buyers (including land cost) in escrow account, to ensure that this money is not diverted elsewhere and is actually used for the project for which it is collected.
- Developers cannot launch and advertise their projects and seek customers' bookings, without getting all the required permissions from the authorities. They are also barred from arbitrarily charging the booking amount as under the new regulation, booking amount has been fixed at 10 percent of the property cost.
- Another key feature is that is the proposal to charge equal amount of interest for promoters and buyers in case of default or delays.
- Promoters are barred from changing plans and designs without consent of 2/3 buyers of the project.
- The authority can even order compensation to consumers in case of misleading advertisements.