Affordable housing in India: Case of Mumbai

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Introduction to housing in India

• Housing is a critical sector in Indian economy.
• It is directly linked to the construction sector that accounts for 8.2 percent of the GDP.
• Housing is supplied by both public and private sectors.
• Urban housing is in itself a complex sector.
Housing scenario in India

- Presently, the urban housing shortage is around 20 million in India.
- As per Census 2011, total number of Census houses in the urban areas is around 112 million of which around 12 million are unused (either vacant or kept as locked).
- The total housing stocks account for around 79 million (including purely residential and residential cum commercial) (Census 2011).
Luxury housing

Chawls

Slums

Slum Rehabilitation
Where is the problem?

• From 2001 to 2011, the number of houses increased by around 8 crore/33 percent (urban areas 54 percent), yet the housing shortage still persists.

• Housing shortage mainly affects the economically weaker section.

• This leads to increase in the slum population of the cities.
Affordable housing concept

• Broadly defined as the “ability of a household to afford housing” (Nguyen, 2005).

• The Department of Housing and Urban Development (HUD) in USA defines housing as affordable if a household not pays more than 30 percent of his annual income on housing (Nguyen, 2005).

• In Australia the rule of 30/40 is applied which states that the housing cost should not exceed 30% of the bottom 40% income strata household's income (Yates and Gabriel, 2006).
Affordable housing in India

• In India, the task force on promoting Affordable Housing of MHUPA has defined affordable housing as - “Affordable housing refers to any housing that meets some form of affordability criterion, which could be income level of the family, size of the dwelling unit or affordability in terms of EMI size or ratio of house price to annual income”.

<table>
<thead>
<tr>
<th>Income Categories</th>
<th>Size</th>
<th>Income Criteria</th>
<th>Affordability</th>
</tr>
</thead>
<tbody>
<tr>
<td>EWS</td>
<td>• 21-27 sqm of carpet area</td>
<td>The maximum Household Income for the EWS and LIG category are recommended to be INR 8,000 and INR 16,000 per month and since many households in this category do not have regular monthly income an annual income of INR 100,000 for EWS and INR 200,000/- for LIG households could also be used</td>
<td>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</td>
</tr>
<tr>
<td></td>
<td>• EWS maximum area could be between 25.2 and 30.8 sqm if subsidies are tied to them</td>
<td></td>
<td></td>
</tr>
<tr>
<td>LIG</td>
<td>• 28-40 sqm of carpet area</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>• maximum area for LIG could be between 36.9 and 45.1 sqm if subsidies are tied to them</td>
<td></td>
<td></td>
</tr>
<tr>
<td>MIG</td>
<td>• 41-60 sqm of carpet area</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
Housing policies in India

- The early periods of the 1960s, 70s and 80s, full attention was given on house construction and slum improvement through industrial housing schemes and low income group housing schemes.

<table>
<thead>
<tr>
<th>Year</th>
<th>Scheme</th>
</tr>
</thead>
<tbody>
<tr>
<td>1970</td>
<td>HUDCO</td>
</tr>
<tr>
<td>1988</td>
<td>NHB &amp; NHP</td>
</tr>
<tr>
<td>2001</td>
<td>VAMBAY</td>
</tr>
<tr>
<td>2005</td>
<td>JNNURM</td>
</tr>
<tr>
<td>2012</td>
<td>RAY</td>
</tr>
<tr>
<td>2015</td>
<td>PMAY</td>
</tr>
<tr>
<td>2007</td>
<td>NUHHP</td>
</tr>
</tbody>
</table>

Graphical Representation:

- **BSUP**
  - Under Construction
  - Occupied
  - Constructed
  - Sanctioned

- **IHSDP**
  - Under Construction
  - Occupied
  - Constructed

- **RAY**
  - Under Construction
  - Occupied

- **AHP**
  - Under Construction

Source: MHPA and JLL report
Housing for All- 2022 (PMAY)

- In situ Slum rehabilitation through private participation
- Credit linked subsidy scheme for economically weaker sections
- Affordable housing in partnership approach to provide financial assistance to states and UTs
- Individual assistance through participation of the ULBs
Housing in Mumbai

• With more than half of its total population residing in slums, housing probes a major challenge for the city.
• Being the economic capital, the city has encountered increased rates of immigration.
• There is acute shortage of land for further construction.
• Excessive governmental regulations have added up to the housing crisis.
• Gap exists between the demand of housing and its supply.
• Housing is increasingly mandated by private developers.
Socio-Economic Profile & Infrastructure

1. House type (Chawls)

2. Majority of LIG, EWS class
Only a few MIG apartments

3. Economic activity in
the chawl
Ratio of slum population in each ward (2011)

- City boundary
- Slum population
- Total population

Scale: 0 1 2 4 6 8 10 kms
Housing Crisis and Slum Growth in Mumbai

Pre 1985

- Rent Control Act, 1947
- Slum Area Improvement and Clearance Act, 1956
- The Slum Areas (Improvement, Clearance and Redevelopment) Act, 1971
- The Maharashtra Vacant Land (Prohibition of Unauthorized Structure and Summary Eviction) Act, 1975
- Olga Tellis vs BMC case, 1985

Post 1985

- Slum Upgradation Programme, 1985
- The Prime Minister's Grant Project, 1985
- Slum Redevelopment Scheme, 1991
- Slum Rehabilitation Scheme, 1995
- Rajiv Awas Yojna, 2013
- Cluster Redevelopment, 2014

Housing Crisis and Slum Growth in Mumbai

Lack of interest of the landowners to create new housing stocks
- No resettlement scheme for evicted population of the clearance areas
- Resettlement done in other informal areas
- Large scale eviction of slums and squatters without proper resettlement schemes
- Supreme Court of India verdict
- Lack of widespread impact
- Shortage of transit settlements, delays in construction, higher prices of newly created stocks and lack of awareness
- No alternative scheme for the ineligible section and lack of interest of the private developers
- Huge gap in implementation process, higher maintenance costs, affects the occupational structure of the residents and success depends on the strength of the real estate market
- Effects yet to be recorded
Major stakeholders

- Economically weaker section- income up to Rs 5000 per month
- Lower income group- income between Rs 5001- 10000

Housing shortage among income groups

- EWS 56%
- LIG 40%
- MIG and above 4%
Slum rehabilitation: Mumbai Case

<table>
<thead>
<tr>
<th>Year of implementation</th>
<th>1995</th>
</tr>
</thead>
<tbody>
<tr>
<td>Implementing authority</td>
<td>State government</td>
</tr>
<tr>
<td>Objective:</td>
<td>Private participation in slum development through incentives</td>
</tr>
<tr>
<td>Impact:</td>
<td>• Slum rehabilitation authority was formed</td>
</tr>
<tr>
<td></td>
<td>• More incentives for private developers, through TDRs</td>
</tr>
</tbody>
</table>

• Considerable Gaps in implementation procedure
• Higher maintenance cost
• Negatively affected the occupational pattern of stakeholders
• Channelized by the dynamics of the real estate market of the city
Critical aspects of affordable housing

• Availability of land for creating huge housing stocks
• Increase influence of the private sector
• Lack or limited availability of finance for house purchase
• Lack of controlled sale of housing stocks
• Frequent change in policies with change in administration
• More impetus to the construction part than the availability part
Demand supply gap

Demand side

- Lower disposable income of the EWS of population
- Restricted acceptability of the prepared stocks due to missing linkages with the occupational pattern
- Increased demand from the middle income section supported by easy access to housing loans
- Speculative purchase

Supply side

- More impetus to luxury housing
- Affordable stocks located away from job centres
- Delayed projects
- Failure of controlled sale
- Speculative increase in the house prices
- Second hand sale of affordable stocks
Where is the actual gap?

Source: Jana et al 2016

Affordability
- Reducing BUA
- Reducing construction cost
- Reducing land prices

Availability
- Introducing new housing policies
- Availability of Housing finance

Acceptability

Supply Side

Demand Side
- Not present yet

Accessibility
## Effect of transport network characteristics on real estate prices

<table>
<thead>
<tr>
<th>Model parameters</th>
</tr>
</thead>
<tbody>
<tr>
<td>Residential</td>
</tr>
<tr>
<td>Distance to nearest parking</td>
</tr>
<tr>
<td>Distance to nearest taxi stand</td>
</tr>
<tr>
<td>Distance to nearest business node</td>
</tr>
<tr>
<td>Distance to nearest train station</td>
</tr>
<tr>
<td>Distance to nearest parking</td>
</tr>
<tr>
<td>Distance to nearest taxi stand</td>
</tr>
<tr>
<td>Distance to nearest business node</td>
</tr>
<tr>
<td>Commercial</td>
</tr>
<tr>
<td>Distance to nearest mall</td>
</tr>
<tr>
<td>Distance to nearest business node</td>
</tr>
<tr>
<td>Office</td>
</tr>
<tr>
<td>Distance to nearest train station</td>
</tr>
<tr>
<td>Distance to nearest parking</td>
</tr>
<tr>
<td>Distance to nearest bus station</td>
</tr>
<tr>
<td>Distance to nearest taxi stand</td>
</tr>
<tr>
<td>Distance to nearest school</td>
</tr>
<tr>
<td>Distance to nearest mall</td>
</tr>
<tr>
<td>Distance to nearest business node</td>
</tr>
</tbody>
</table>

Red color imply negative association

Source: Jana et al 2016
Source: Jana et al 2016
Accessible affordable housing

- Building the housing stocks near the work places increases the acceptability among the EWS and LIGS.
- It reduces the transportation costs making housing more affordable.
- In Mumbai one of the higher accessible zones is ‘Dharavi’, establishing the theory of walk to work especially for the LIG and EWS.

Source: Jana et al 2016
Building for whom?

• It is necessary to separate affordable housing stocks from the mid income housing stocks.
• The inclusion of the middle class in the subsidized housing schemes may hamper the delivery of low cost housing to the urban poor.
• Speculative purchase of the subsidized housing stocks may lead to future price rise.
New approaches

Housing Crisis and Slum Growth in Mumbai

- The actual gap
- Participation
- Government Affordable Housing
- Slum Resettlement
- Slum Eradication
- Slum Improvement

Source: Bardhan et al 2015
New approaches

• Affordable housing or social housing
  1. Affordable housing- Built by not for profit or private players with government subsidies.
  2. Social housing - Provided by government to the economically weaker section

• Self help housing
  1. Successful in Nepal, Vietnam and Malaysia

• Stakeholder participation

Source: Bardhan et al 2015
Thank you very much

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