

Role of Public Private Partnership in Building Affordable Housing in India

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Abstract:

Affordable housing built under the public private partnership model is facing limited success in achieving its purpose, i.e., reducing the existing urban housing shortage. Lack of physical and social infrastructure, coupled with limited mobility and employment opportunities, add to the existing vulnerabilities of the economically weaker sections of society for whom such housing is being constructed. Current modes of policy formulation, along with the affordable housing policies of various states, continue to promote this model of delivery which enables the use of vacant peripheral land for creating affordable housing stock. In the light of a growing urban housing shortage estimated at 18.78 million units, the viability of such modes of production need to be re-examined. Housing cannot be delinked from mobility and employment as people utilise their dwelling units not just as places to reside but also as spaces to work and generate livelihoods.

Keyword: Affordable housing, public private partnership model, policy formulation, urban housing shortage

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I. INTRODUCTION

1.1 Urban Housing Shortage in India

According to the Report of the Technical Group on Urban Housing Shortage by the Ministry of Housing and Poverty Alleviation, (80 per cent of India's urban housing shortage is in the form of existing but inadequate housing that is also congested. Seen across income categories, it is found that almost 96 per cent of this housing shortage is faced by the economically weaker sections (EWS) and low-income group (LIG) categories, i.e., households that earn up to two lakhs a year (Fig. 1 & 2). The Ministry also states that, in order to be considered 'affordable housing'; a housing unit must not cost more than five times the annual income of the household. Using this definition, affordable housing for the EWS and LIG is housing that does not cost more than 10 lakhs. Current demand and supply mechanisms of housing do not adhere to these spectrums of affordability. Housing provided by private developers often ends up catering to the remaining four per cent for whom the housing is affordable and adequate. Besides the physical unit, the nature of affordable housing cannot be separated from its "location". Majority parameters while conceptualising affordable housing restrict themselves to the price and affordability of the unit, leaving the question of making such housing viable through adequate physical & social infrastructure and appropriate location unanswered. Low occupancy rates are often an outcome of affordable housing projects that are not cognisant of the needs and vulnerabilities of their intended buyers. Viability in affordable housing is then understood in terms of distance from place of work, mobility in terms of access to public transport, social and physical infrastructure in the form of schools, medical facilities, electricity, roads and other aspects that make the projects liveable. It is equally important to consider such aspects at the time of project conceptualisation as inability to sell units turns such projects into loss-incurring examples of unprofitable capital investment and underutilised land. Oversight in understanding and therefore incorrectly addressing the question of housing shortage is not a recent trend but has been exhibited through not only privately-built but also state-provided affordable housing. EWS and LIG housing built in remote locations with no access to schools, transportation and places of employment often remain unoccupied or have extremely low occupancy rates as residents have very little to gain by residing in such 'formal housing' that has close to little or no services. It is here where questions of location and mobility are paramount in determining the viability of such affordable housing projects.

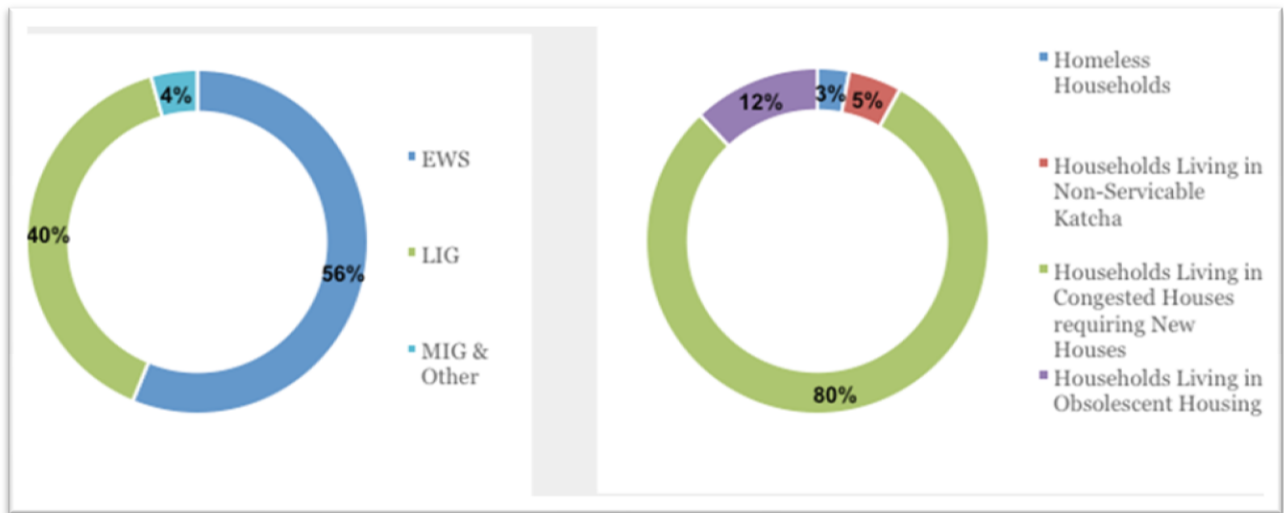


Figure 1: Urban Housing Shortage across Income Categories

Figure 2: Urban Housing Shortage

Source: Report of the Technical Group on Urban Housing Shortage, MoHUPA 2012

II. HOUSING, LOCATION & MOBILITY

The existing spatial distribution of work, housing, recreation, commerce, etc., makes the provision of adequate transport a prerequisite; as its absence leads to development consequences. Affordable housing projects are more often than not developed on peripheral land as high land costs in the core of the city make it financially unviable (Table 1).

Table:1 city and their centre

City	City centre	City	City centre
Pune	Kalyani Nagar	Mumbai	Nariman Point
Kolkata	Park Street	NCR	Connaught Place
Ahmedabad	Vastrapur	Bangalore	MG Road

Source: JLL. Affordable Housing in India, 2012

As shown in Figure 3, many affordable housing projects in Mumbai, NCR and other major cities in India are located almost 65–75 km away from the city centre. This raises daily commuting costs and other expenditures at the household level. Housing location affects the social and economic lives of individuals and plays an important role in undermining or enhancing their economic capacities.

According to National Sample Survey Office (NSSO) data, households across urban India spend more on conveyance next to only food; expenditures on rent, education and other requirements being significantly lesser (Refer Table 2).

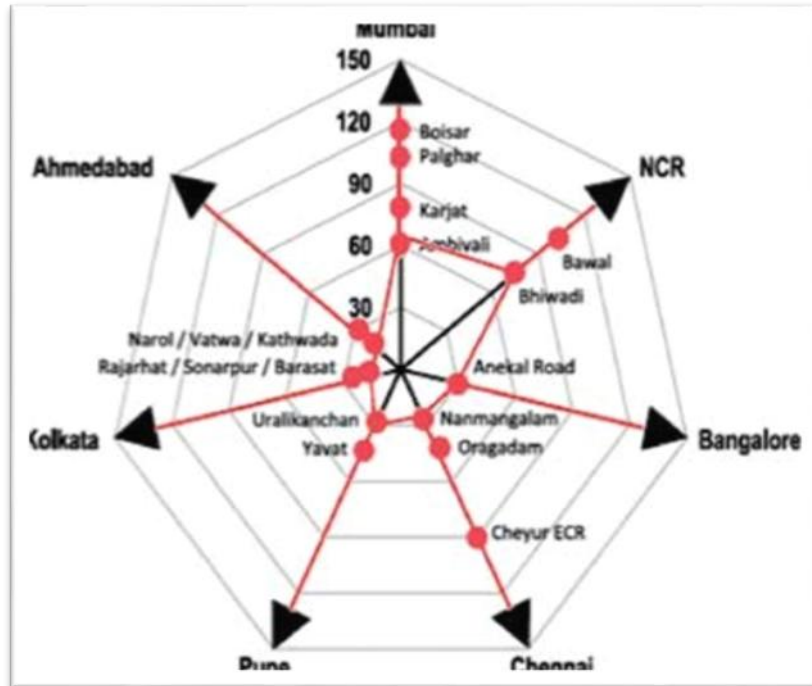


Figure1: Distance of Major Affordable Housing Locations from the City Centre (kms)

Source: JLL. Affordable Housing in India, 2012

Table:2 All India Break-Up of Monthly Per Capita Consumer Expenditure (URP) Over Broad Categories of Goods and Services

Sr.No	Item Category	Value (Rs) of per capita consumption in 30 days (urban)
1	Food	922.91
2	Conveyance	180.98
3	Rent	166.93
4	Education	135.73
5	Clothing & Bedding	127.45

Source: Key Indicators of Household Consumer Expenditure in India, NSS, 68th Round, 2012

Particularly for the urban poor, such data validates the complex relationship between housing, its location and mobility. In the absence of private means of transport, housing location impacts the mobility of the urban poor. Conversely, mobility is often an important factor while choosing housing location in order to minimise travel time and developers are free to utilise their existing land parcels to construct affordable housing stock for which they receive incentives. However, there exist no mandatory guidelines or any recommendations for site selection of the project or for the provision of physical and social infrastructure; often resulting in low occupancy rates. Housing constructed under the Slum-Free City Plan of Action in Rajiv Awas Yojana (RAY) reflect the outcomes of such ill-conceived projects. Since its inception in 2009, out of the 4,571 dwelling units constructed under RAY till September 2015, only 313 are occupied; indicating an occupancy rate of less than seven per cent.

III. AFFORDABLE HOUSING IN PARTNERSHIP

State and central government policies are beginning to address shortage in housing by providing incentives to private developers in order to create an affordable housing stock. While states like Rajasthan, Gujarat, Punjab and Karnataka have adopted a model-based approach which includes PPP; central government initiatives like the erstwhile Rajiv Awas Yojana (RAY) related expenditures. As a result, transport decisions of the poor are often a complex trade-off between residential location, travel distance and travel mode. Within the

constraints of their limited mobility and other expenses, unviable locations of affordable housing projects often leave them in a situation where they have few or no housing options. Under the existing scheme for housing provided via public-private partnerships, and the current Pradhan Mantri Awas Yojana (PMAY) have a much stronger public-private partnership component through models of redevelopment and construction of new housing units.

The Affordable Housing in Partnership scheme was introduced as a supply side measure to address housing shortage in cities by preventing the growth of slums. It was dovetailed into the Basic Services for Urban Poor (BSUP) under Jawaharlal Nehru National Urban Renewal Mission (JNNURM) and the Rajiv Awas Yojana (RAY) in order to facilitate and incentivise land assembly for affordable housing. State governments were encouraged to promote affordable housing projects in the public private partnership (PPP) mode in order to engage competing private developers in the market for affordable housing.

- *In order to do so, they approached the supply of adequate affordable housing through three models:*
 - (1) Projects undertaken on land owned by the central government/states/UTs/ULB/ parastatals and executed by state, ULB, parastatals.
 - (2) Projects undertaken in PPP mode where the states/UTs/ ULBs/parastatals provide land and/or other facilities/ incentives and private sector conceive and execute the project using its financial and technical resources.
 - (3) Projects undertaken on private land implemented by developers/promoters wherein states/UTs/ULBs/parastatals offer incentives/facilities like extra TDR/FAR/FSI and/or other concessions.

Several states have notified their affordable housing policy to address housing shortage; Rajasthan being one of them. The current urban housing shortage in the state of Rajasthan is 1.15 million units. Its affordable housing policy of 2009 consists of a series of land sharing models as well as mandatory provisions for government agencies and private developers under which affordable housing projects are constructed. The approach, though successful in parts, still suffers from some glitches when it comes to delivering affordable housing; primarily that of location. It was found that not much attention was paid to the geographical spread of projects across the city. Developers used their vacant land parcels that had low marketability and weren't being utilised otherwise. The lack of social and physical infrastructure coupled with distance from the city centre made it difficult to find buyers for these flats (Figure 4). Projects also had difficulty attracting beneficiaries and, despite completion, occupancy remained relatively low.

Similar to the Rajasthan experience, the provision of rental housing units in Maharashtra under the PPP model was met with limited success. In order to address the housing shortage of 1.94 million units, the Government of Maharashtra (GoM) initiated the Rental Housing Scheme (RHS) with the aim of generating 97,574 rental housing units through 51 rental housing projects. Out of the 51 projects, 32 were located in Municipal areas, except for Navi Mumbai and Matheran Municipal Council areas, and the remaining 19 were in the Urbanisable Zone1 and Urbanisable Zone-2 areas of the Mumbai Metropolitan Region. Private developers were offered incentives in the form of FSI in return for providing self-contained tenements of 160/320 sq.ft. carpet area. However, in August 2014, the rental housing scheme was turned into an 'Affordable Housing Scheme', where the constructed rental units were sold to beneficiaries. (MMRDA) Several of the units constructed under the Rental Housing Scheme remain unoccupied and are yet to be either sold or allotted to future residents.

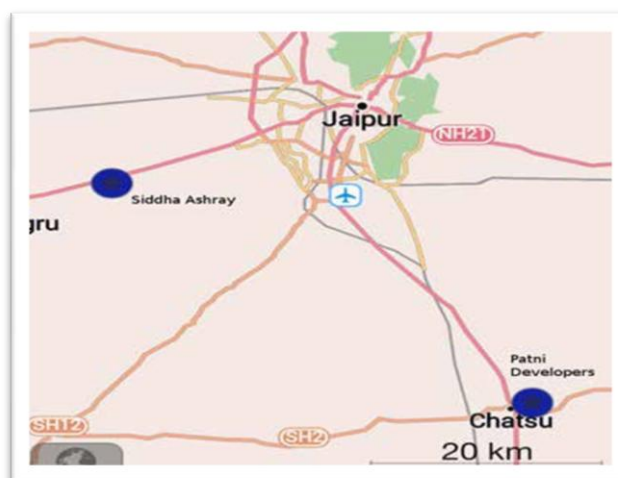


Figure 4: Location of Affordable Housing Projects from Jaipur City, Rajasthan

Source: IIHS Analysis and Primary fieldwork, 2015

Numerous reasons can be attributed for conversion of the rental housing scheme into an affordable housing project. Rental housing requires access to livelihoods, social and physical infrastructure in the same manner as housing made for ownership. As can be seen in *Figure 5*, the projects were located far away from the city, requiring several hours of travel to reach respective destinations of work. As majority of the projects were not located even within Navi Mumbai and Matheran corporation limits, it can be inferred that the physical and social infrastructure present would have been inadequate for the number of households planned, if not entirely absent. The FSI/FAR allowed in these projects was too high, resulting in the creation of 'vertical slums'. No effective rental housing management system was put in place, thereby making the collection of monthly rent and maintenance of the project highly problematic.

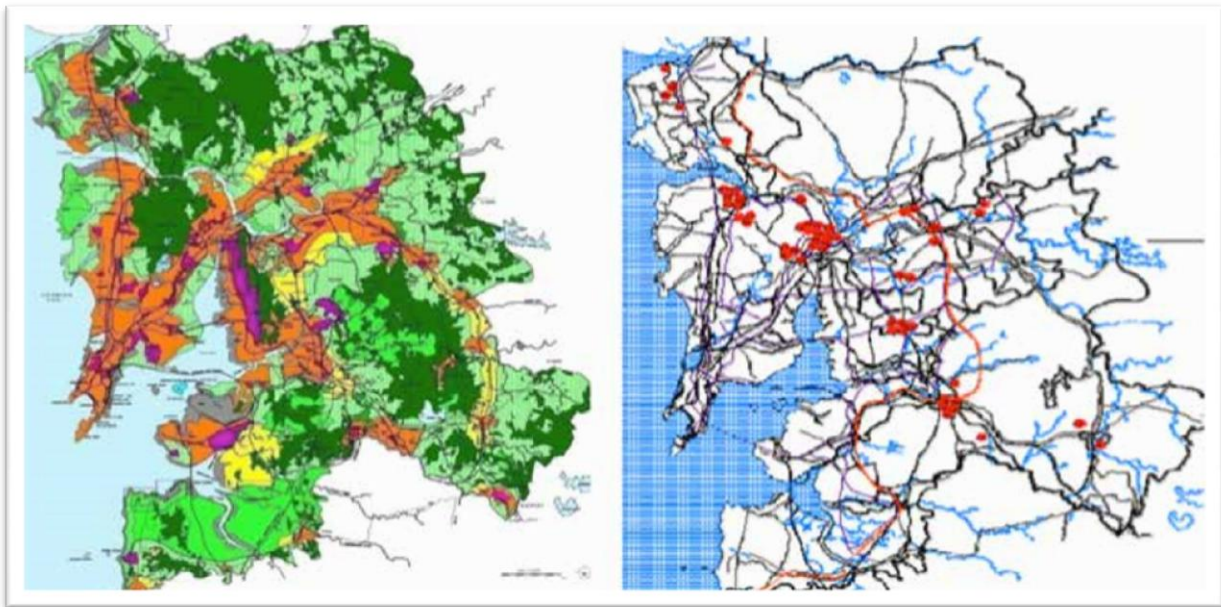


Figure 5: Location of Rental Housing Scheme Projects in MMR

Source: MMRDA

Using appropriately located land parcels with innovative incentives for public agencies as well as private developers can mitigate shortcomings of the PPP model as it is conceived right now. In Kota and Jodhpur, certain models under the Rajasthan State Affordable Housing Policy, 2015 are structured on a 75:25 land sharing basis between the private developer and the government agency. Under such a model, a private developer constructs affordable housing units on 75% of a land parcel that is owned by the Central/State/Local government but is currently vacant and not in use. The remaining 25% of the land is given to the developer to be developed by him for free sale housing units or commercial areas. Currently, the Jodhpur Development Authority and the Urban Improvement Trust Kota have successfully constructed about 5,000 affordable housing units under this model that have sustained high occupancy rates since their completion.

International experiences also present successful examples of affordable housing projects financed through PPP models. In Malaysia, the “Wangsa Maju Township, Kuala Lumpur” demonstrates how public-private partnership (PPPs) can enable the urban poor to enter the formal housing market while balancing the commercial priorities of the project. The 2,000 acre Wangsa Maju Township was designed to accommodate approximately a population of 1, 20,000 people, leading to a total of about 25,970 dwelling units. Located close to the city centre, the township comprised of various types of housing units varying from G+ 5 apartment flats to medium and low-cost integrated housing. A total of 7,791 units of low cost housing were developed initially in the township that today has a population of over 4, 00,000 people, including commercial centres and high end real estate. It is important to note that the City Hall of Kuala Lumpur (CHKL) acquired centrally located land in the city for the project. In the absence of land acquisition by the CHKL, the same project constructed on peripheral land might have yielded different result. Other than the location, the project was also considered successful owing to its mixed income housing that put commercial centres in the midst of affordable housing. The housing units for the poorer sections were also not segregated from the other housing units constructed. As a result, post occupancy studies of the project have indicated sustained levels of occupancy that have only increased since the completion of the project.

As can be seen from Malaysia and Rajasthan, well-located land parcels coupled with financial assistance for land acquisition make Public Private Partnerships capable of constructing financially viable and resident friendly affordable housing units. As government owned land whether Central, State or ULB, is serviced land located well within city limits, projects constructed on them become financially viable for the developer and socially viable for future residents. Affordable housing units constructed under such a model are more likely to be occupied and retained by the intended target group as residents are able to mitigate potential vulnerabilities through mobility and economic opportunities.

IV. CONCLUSION

It is not possible to eliminate urban housing shortage completely as market forces coupled with migration and population growth will always leave a certain percentage of the population with housing that is either inadequate or unaffordable. However, it is possible to ensure the formulation of systems and practices that are cognisant of the diverse nature of this housing demand and are capable of adapting themselves to it. It is crucial to intervene at this particular point in time as several states are either in the process of formulating or are rethinking their approach towards addressing urban housing shortage. Guidelines for affordable housing projects need to be reframed to include incentives not just from the supply side but also for potential future residents.

A way to do this is to ensure appropriate site selection for the construction of new housing units as much as possible. In order to mitigate negative externalities, sites proposed for affordable housing projects should not be on terrain that is hazardous or uninhabitable. Proximity to an existing urban settlement, coupled with public transport facilities, should be maintained as it enables employment opportunities. Sites provided with adequate physical infrastructure services such as electricity, water supply and sanitation lines, and social infrastructure in the form of schools and health facilities help in creating liveable conditions that often result in high occupancy rates.

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