

EVENT 5

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| Topic | Achievements, Opportunities and Challenges in PMAY, Housing for All by 2022 |
| Date | October 10, 2017 |
| Venue | Webinar |
| Synopsis | On 10 th October 2017, Indian Housing Federation organized a Webinar on the topic “PMAY (Urban), Housing for all by 2022”. The purpose of this webinar was to discuss the achievements, opportunities and challenges in achieving the goal of Housing for All on a national platform. The panelists for the discussion consisted of Dr. Jeevan B, IAS (Mission Director of PMAY - HFA(U)), Assam, Mr. Madhusudhan Menon (Executive Chairman, MHFC), Mr. Raghav Garg (Director, Haryana Housing Board and Garg Group of Developers), Mr. Kiran Avadhanula (Sr. Manager, Government Advisory/Consulting, Deloitte Touche Tohmatsu India LLP) and Ms. Marina Joseph (YUVA). |

EVENT SUMMARY

Session 1

Dr. Jeevan B, IAS (Mission Director, PMAY – HFA(U), Assam) was the first speaker of the webinar. He started the session with a brief introduction to the four verticals of the PMAY – In-Situ Slum Rehabilitation (ISSR), Affordable Housing in Partnership (AHP), Credit Linked Subsidy Scheme (CLSS) and Beneficiary-Led Construction (BLC). He then spoke about the experience of the mission in Assam during the demand survey period that had been executed over the last six months. The strategy was to utilize platforms such as newspapers and magazines along with conducting street plays to reach out to the target population. Hoardings and flexes that clearly communicated the guidelines of PMAY were displayed at ULB offices. The IEC (Information, Education and Communication) strategy helped capture the demand of 2.21 Lakh households. The mission aimed to implement ISSR and AHP in the larger cities/towns of the state that had higher densities, which included Guwahati, and BLC/E (beneficiary-led construction/enhancement) was to be implemented in the smaller towns due to its lower densities.

As of October 2017, Assam has almost exhausted its BLC component with approvals for construction of approximately 55,000 houses, which is 50% of the captured demand for the vertical. The other 50% consisted of households that were ineligible due to various reasons such as owning a pucca house, or lack of land documents etc. The latter ineligibility shall be tackled through the ISSR component in the later phase of the mission. Pilots for the construction of ISSR projects in smaller towns are being implemented based on demand survey results from EWS beneficiaries of the ULBs in the selected towns. Assam is also one of the first states to have a plan of action for “Housing for All”, which has been reviewed extensively. Commercial feasibility of slums is being reviewed by the ULBs, who have been trained for it. Dr. Jeevan also mentioned that the mission has contributed in skill development and capacity building of the mission staff enormously. He strongly believes that the mission should create an institutional framework so that housing for the economically weaker population is a process that can sustain and thrive over a longer period of time.

An important issue raised by the Mission Director was the lack of access to credit in the North-Eastern states in India. Although income levels are good, majority of the population is employed in the informal sector, and hence does not have income proofs that are required by housing finance institutions. Hence, contrary to the rest of the country, CLSS has been the one vertical of the

mission that has not taken off successfully, and Dr. Jeevan has invited housing finance institutions to Assam to explore opportunities in the state.

Session 2

The second speaker for the day was Mr. Kiran Avadhanula - Senior Manager, Government Advisory/Consulting, Deloitte Touche Tohmatsu India LLP. He started by introducing the housing sector as a significant contributor to the GDP of the country, which was based on a study done by IIM-A in 2000, and later updated by NCAER on the impact of housing on GDP and employment. Mr. Kiran presented an analysis of PMAY by describing the various forward and backward linkages of the construction industry such as steel, cement, paint, banking etc. which contributes to 8.2% of the GDP. In the larger context of "Housing for All", Mr. Kiran mentions that there were approximately 50 million occupied dwelling units in 2001, which increased to approximately 80 million in 2011, which is a 50% increase. However, despite this, urban housing shortage within the EWS and LIG sections of society is still a significant reality. The government has introduced various schemes to address this housing shortage, but there are multiple challenges in achieving this goal, which include supply and demand side issues, lack of credit, high interest rates, lack of availability of low cost land, and the hesitation of housing finance institutions to lend to the informal segment. These challenges have together contributed to a constrained growth of the affordable housing segment.

Mr. Kiran mentions that the huge gap of three years in revamping the BSUP scheme and replacing it with RAY led to many challenges, and hence the PMAY mission has focussed on quick approvals and sanctions so that grounding of the projects can be initiated faster. He then talked about the 3 pivots of the PMAY mission- 1. Government funding and Institutional credit, 2. Unlocking value of slum by using land as a resource and 3. Fiscal and non-fiscal incentives. He further breaks down these aspects to identify the 5 elements that he terms as "enablers in the implementation of the PMAY mission":

1. ISSR: Capacity of the state in undertaking PPP projects. It is important for the state to understand the feasibility of ISSR or AHP projects in towns, based on surveys. Solutions cannot be consistent across various geographies and there is a need for implementation agencies to pursue proper feasibility studies
2. CLSS: Need for a document on which HFIs can approve and give the subsidy to the beneficiary; rationalization of documents
3. AHP: Willingness of the private or public sector to enable private sector participation, along with land dynamics and feasibility. A potential solution is for housing boards to take the active lead on AHP projects and act as developers
4. BLC: Community engagement and participation of CSOs to improve knowledge on the scheme; technical knowledge on incremental housing
5. Land titles are issues in most informal communities

In this context, it can be understood that the reforms that have been sought under Housing for All are essentially to facilitate the expedited implementation of the projects as a whole; and it is critical that implementation agencies understand the process holistically, and the value of reforms are demonstrated by the GoI. Although most of the sought reforms have been achieved in majority of the states, it is only on paper, and not functional.

In order to achieve the target of Housing for All, it has been estimated that approximately 1 crore houses need to be constructed in the next 5 years, which is 20 lakh houses per year, and 5500 houses per day. However, since the beginning of the mission only 24-25 lakh houses have been constructed, out of which 10 lakh houses are still in the grounding stage. Although it may seem impossible to achieve the goal at this speed, Mr. Kiran states that 26.6 lakh units have been constructed in the middle and higher income sectors in the past decade. The reality of this

construction is that 11 million of these houses are lying vacant, and there is a need to re-strategize and focus on constructing houses for the EWS and LIG sectors. In addition, the government has focussed on technology innovation as an important aspect of the mission, and has introduced the India Housing Construction Technology Challenge to demonstrate technologies that can construct housing units at faster paces.

One sector that needs major reforms is the affordable housing finance sector, which faces many challenges, some of which are mentioned below:

1. Most HFIs do not lend to the informal sector
2. Need for special loan products for affordable housing
3. Exploration of possibility of varying EMIs (based on income increase) for the tenure period
4. Low-cost finance for affordable housing project financing
5. Special status for Affordable Housing Finance Companies is required. They need to be promoted and specially catered for.
6. Beneficiaries are unable to afford margin money

There are many innovative practices in the affordable housing finance sector, and there is a need for these practices to be implemented actively in the Indian affordable housing market. Another major issue that was raised was the lack of inclusion of rental housing under the scheme, and Mr, Kiran hopes that the next version of PMAY would include this extremely important aspect of affordable housing.

Session 3

The third speaker was Mr. Raghav Garg from the Garg Group of Developers, who have recently entered the affordable housing space with their Dinesh Nagar project in Ghaziabad. He is also Director, Haryana Housing Board and started off by talking about the positives of the PMAY scheme by explaining how most states have already introduced their affordable housing policies and housing stocks have started pouring in, which was not the case 10 years ago. However, there are many challenges in achieving the goal of Housing for All.

The first challenge is that the issue of lack of infrastructure is not addressed with the housing shortage. Connectivity, jobs, and affordability of the connectivity are all factors that determine whether customers are going to purchase houses in the area identified by developers. Mr. Garg explained this with the example of Ahmedabad, where an affordable housing zone has been declared on the periphery of the ring road, which is well connected to the city centre. This has created an influx of affordable housing projects in the area. However, in Uttar Pradesh, even with an excellent policy, there has been a struggle to implement affordable housing projects due to the lack of infrastructure. Hence, there is a need for the centre to incentivize the state and provide soft loans to develop infrastructure in areas that have been identified as affordable housing zones to tackle this key issue.

The second challenge is regarding the data published by the government and consultants regarding demand for affordable housing. The sales of affordable housing projects are not at par with the numbers that have been projected. Hence, a large number of units in affordable housing projects remain unsold. He states that there is a bad sentiment towards real estate in the country, and this combined with factors such as RERA, GST and demonetization have resulted in further reducing demand in the real estate/housing sector. Hence, there is a need for developers to identify their customer base before proceeding with housing projects, especially in the affordable housing space.

The third challenge that was raised by Mr. Garg was regarding the need for capacity building at the lower levels of the government. The central government has created a good system including

provision of incentives and allowing FDIs in the sector. The only scope of improvement for the centre would be in terms of better channels for implementation of the schemes, which may require a longer period of time to be actualized. However, developers need to interact with members of state level implementation agencies, and these departments are highly understaffed in most states.

Regarding CLSS, Mr. Garg explained how the number of beneficiaries who have actually received the subsidy is extremely low when compared to the demand that has been published by various consultants and governments. He concluded by emphasizing that there is a need for the government to undertake a detailed study of the actual demand in partnership with organizations like IHF and Deloitte Consultants.

Session 4

Mr. Madhusudhan Menon, Executive Chairman, Micro Housing Finance Company (MHFC) was the next speaker on the panel. He started by explaining how 10 years ago only the private sector was involved in the housing sector, and the target clients belonged to the top 5% of the highest income group of the country. Developers were constructing expensive homes in the hearts of cities, which none of the people living in the city could actually afford. There was an understanding that incomes had gone up, and people could afford home loans of about Rs. 5 – 6 lakhs, but not of Rs. 50 lakhs, which was what was actually being constructed. The gap between demand and actual sales was the access to finance, since customers could not buy houses, even if they wanted to, without housing loans.

One of the observations Mr. Menon has had is that the Indian customer is very credible from the credit point of view, are very conscious about their responsibilities, and delays are well within acceptable norms. It has been observed that even though HFIs offer to finance 80-85% of the cost, most customers prefer putting in more money than required to reduce the loan amount. The repayment is done regularly, and even though loans are provided for tenure periods between 15-20 years, they are repaid in an average of 7.5 – 8 years. Hence, HFIs are very confident of the credibility of their customers.

A major change that he has seen over the last decade is a shift in supply of homes from private sector to govt. led initiatives and mass housing due to better locations, and attractive prices. The quality of housing being provided by governments has also improved significantly, thus leading to increased competition for private developers, especially in areas where the government is active in providing affordable housing. A third observation is that CLSS and AHP have reduced the cost of acquisition for the customers which has resulted in a lot of supply being accessible and affordable to the customers.

The fourth observation was that technology has enabled ticket sizes to be lower as automation has reduced costs substantially. For example, Mr. Menon explains that most of their customers own mobile phones and have bank accounts, and approvals and loan disbursements have become increasingly automated functions, and hence, loans of smaller ticket sizes can also be financed as there is no extra cost incurred. Currently, there are three aspects that the affordable housing finance sector focuses on – 1. Credit quality of the customer, 2. Cost of operations, 3. Composition and cost of capital.

A recent observation has been that there is currently an agreement between all players including developers, governments and HFIs, and capital is cheaper than what it used to be, and this might be a last chance at solving the issue at par.

Session 5

The final speaker for the day was Ms. Marina Joseph from YUVA, who started her session by highlighting the importance of the relationship between housing and livelihood. It is true that 96% of the demand for housing is from the low-income sector, but in Mumbai, the various slum rehabilitation schemes and the exclusion of livelihood policies from the housing policies have resulted in vertical slums in the periphery of the city.

She focussed on a few social issues regarding the PMAY, and started with eligibility issues that have been identified by YUVA. The first issue is regarding the definition of a slum under PMAY, which is the same as the census, and identified slums as congested areas with no basic services, having a population more than 300 people, etc. However, the state government is allowed to set cut off dates for the eligibility criteria, and this results in a large portion of the population who are actually in need of housing being left out from the schemes, and Ms. Marina emphasis on the point that the cut-off date is in violation of people's right to live in cities. There is also a fear that PMAY will increase migration as people will come to cities for houses. She points out that people move to cities for work, and not houses, and housing is a by-product that invariably comes along with it.

The second point raised was regarding the ISSR vertical of the PMAY under which slums in government lands are rehabilitated in the same location. However, the reality is that municipal corporations are unwilling to provide these slums with basic services such as water and electricity, and governments are not ready to part with lands in airport or port areas, and hence, although the policy is idealistic in nature, the ground reality is not the same.

The next issue raised by Ms. Marina was that 95% of the population living in slums that are eligible based on the cut-off dates usually reside in pakka houses. However, the CLSS and BLC components of the PMAY does not provide subsidies for families living in pucca houses, and hence they are deemed ineligible under the scheme. The gap between demand and supply could also be met if the governments incentivized private finance institutions to actively engage in the affordable housing sector, as was done with private developers.

Another issue that has been observed is that although the PMAY says that priority is given to disabled, handicapped, minority groups, transgenders, etc, the definition of a household is conventionally defined as a husband, wife and two children. However, family structures of transgenders are very different from the typical structure, and hence there is a need to define beneficiary families for transgenders, as they constitute a huge percentage of the urban slum population, and are in dire need of affordable housing. The reality is that today in urban India there is a huge number of single men and women who migrate for work, and seeking accommodation for these groups should be a priority. (Note: Subsequently, a suitable amendment to the guidelines has already been incorporated to benefit this category of people). There is a need for a small percentage of the affordable housing stock to be dedicated to rental housing, as has been highlighted in a previous session. Not all migrants would want to shift to cities permanently, and low-cost short-term accommodation for these groups is a significant percentage of the housing demand. Another issue that has not been addressed through the PMAY scheme is the problem of homelessness. Although shelters have been provided, not many people are willing to stay in them due to the lack of maintenance. Also, there is no accommodation provided for homeless families where privacy is a key requirement.

Another observation made by YUVA was that in most towns, the choice of the vertical was being exercised by the government, and not the beneficiary, and many slum communities were being relocated to sites that have been vacant since implementation of previous housing schemes. In cities like Nagpur and Bhubhaneshwar, beneficiaries have the right over their land, and they should be allowed to choose the vertical they are most comfortable with, and beneficiaries must not be forced to relocate to distant areas based on government decisions.

The last point raised by Ms. Marina was regarding the issue of tenure. Although in smaller cities like Nagpur, governments are encouraging land title allotments to beneficiaries and improvement of houses under the BLC vertical, it must be noted that there is a push for vertical rehabilitation in large cities. Higher real estate values have created a push for this model as it is more profitable for private developers, however, there is a higher chance of beneficiaries being unable to afford to live in such high-rise structures, thus creating vertical slums.

Ms. Marina concluded by presenting some of the data that had been collected in a survey conducted in collaboration with IHF in Nagpur. It was analysed that the highest demand was for upgradation of houses, and not redevelopment. However, 70% of the surveyed population consisted of daily wage workers, and only 2% had salary slips, which is effectively pushing banks away. Another observation was that although the average salary was between Rs.5000 – Rs. 15,000, their savings were less than Rs.2000, but housing aspirations are extremely high, and beneficiaries are willing to pay upto Rs.5000 in EMIs. The two major requirements were an additional room in existing houses and refurbishment of toilets. It was observed that most people were ready to pay for their own houses, and this is an aspect that needs to be considered while drafting policies.

Conclusion

In the concluding session, questions from the audience were directed to the concerned panelists through the moderator. This opened the discussion to many interesting aspects of housing as the audience consisted of people from various sectors and backgrounds.

The first issue that was raised was regarding location of land and eligibility of project under PMAY (U). Mr. Jeevan clarified that if the land is located within the planning area then it automatically comes under PMAY(U). When asked about the catering of Financial Institutions (FI) to areas eligible under PMAY(U), Mr. Menon responded that costs of operations of FIs should be also be considered, and hence it is necessary for customers to approach institutions who are predominantly present in the area. He also explained that now there are more specialized players and HFCs which are into lending for government-led housing alone and that the cost of providing service increases when the location is far away from urban areas, which can be reduced by adoption of technologies. Also, a major problem in rural areas is regarding land records and digitization of land records is a crucial next step to be taken for planning housing in India. Mr. Garg pointed out that infrastructure development is important along with unlocking land parcels owned by governments and other agencies, especially for the declaration of affordable housing zones.

The next set of questions was regarding security of tenure rights for the urban poor. Dr. Jeevan explained that PMAY(U) covers housing as well as land rights, and even if there are land rights issues, the customer could still be eligible under other verticals of PMAY(U) such as CLSS. Mr. Menon argued that the scheme is already dealing with informal customers, and hence, there should be a fair amount of formality since every aspect of the program cannot be floating. For HFIs to be able to cater to more number of beneficiaries, it is necessary that the mission aims for more records to be present. Ms. Joseph responded saying that although there has been an increased focus on land tenure rights, slum redevelopment seems to be the only option when it comes to actual implementation. She also suggested the method of using the concept of community land trust where the cost of land is differentiated from the cost of housing for better AH models.

The third question raised was regarding the substandard progress made by the CLSS vertical of the mission. Mr. Garg replied that there is a lot of uncertainty on whether customers will actually receive the CLSS subsidy since it takes a few weeks after the booking of the unit and loan application for the customer know if he is eligible for subsidy. He suggested that a method of pre-

analysis for the buyer can be done by banks other than NHB and HUDCO. By making this data public, builders, consultants and other stakeholders will have proper data regarding locations of potential customers. Mr. Menon's response was that the scheme does not work based on NHB's discretion and it is completely delegated to banks and HFC's.

Low cost housing technologies was the next topic of discussion, and the audience requested panelists to provide examples of some of the best practices in the country. It was clear that different cities had excelled in different aspects of affordable housing. In Ahmedabad, the development of the ring road and declaration of 1km radius area as an "Affordable Housing Zone" and provision of infrastructure helped in implementing the policy effectively.

In terms of affordable housing policies, the panelists recommended the state policies of Orissa and Madhya Pradesh, with special commendation for the PPP model under the Rajasthan policy. It was also mentioned that Uttar Pradesh had been innovative in terms of incentives for affordable housing.

The Webinar concluded with all the panelists agreeing on keeping the customer at the heart of every policy and decision. The panelists highlighted the various gaps they have observed in the PMAY(U), and the webinar encouraged discussions and debates between participants representing different sectors, all of which play crucial roles in the development of affordable housing.

LIST OF PARTICIPANTS

| Sr.No | Name | Organization |
|--------------|-------------------------|---|
| | PANELISTS | |
| 1 | Dr. Jeevan B | Mission Director PMAY(U)-Assam |
| 2 | Mr. Kiran Avadhanula | Senior Manager, Government Advisory/Consulting, Deloitte Touche Tohmatsu India LLP. |
| 3 | Mr. Raghav Garg | Director, Haryana Housing Board and Garg Group of Developers |
| 4 | Mr. Madhusudhan Menon | Executive Chairman, Micro Housing Finance Company (MHFC) |
| 5 | Ms. Marina Joseph | YUVA |
| | ATTENDEES | |
| 1 | Pratima Joshi | Shelter Associates |
| 2 | Shishir Dash | Tata Trusts |
| 3 | Rupali Vaidya | Aga Khan Agency for Habitat, India |
| 4 | Shanthala Sreeramulu | Domogeo |
| 5 | Aditya Jain | Selco Foundation |
| 6 | Abhishek Singh | India Shelter Finance Corporation |
| 7 | Sam Dasaru | Independent |
| 8 | Rajiv Sharma | Independent |
| 9 | Riya Saxena | Asha Impact |
| 10 | Atanu Chatterjee | Jawaharlal Nehru University |
| 11 | Avani Shah | MHFC |
| 12 | Latha Devan | Independent |
| 13 | Vasu Devan | Shanbaham Estate Private Limited |
| 14 | Hussain Ahmed Choudhury | Town and Country Planning |
| 15 | Ompy Moran | Independent |
| 16 | Sana Dharani | Aga Khan Agency for Habitat, India |

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|-------|-----------------------|--|
| 17 | Chetan Shah | iQ Homes |
| 18 | Sharad Mahajan | MASHAL |
| 19 | Kirtee Shah | INHAF/ASAG |
| 20 | Shankar Naganathan | Beyond Bricks LLP |
| 21 | Bhargab Konwar | NHB |
| 22 | Sampath Reddy | Selco Foundation |
| 23 | Sahid Ahmed | Independent |
| 24 | Ajai. S | Independent |
| 25 | Sonal Sharma | SEWA Grih Rinn Ltd. |
| 26 | Shilpa Rao | Independent |
| 27 | Paul Joy | Independent |
| 28 | Samim Ahmed | Independent |
| 29 | Ankita Gupta | Vastu Housing Finance |
| 30 | Himashree Gogoi | Independent |
| 31 | Shalmoli Halder | Omidyar Network |
| 32 | Arun Balamani | Nivara Home Finance Ltd. |
| 33 | Subhadra Kaul | Dialogue and Partnership Services India |
| 34 | Rohith Balakrishnan | Vastu Housing Finance Corporation Ltd. |
| 35 | Rashi | Independent |
| 36 | Suresh Arumugam | Swarna Pragati Housing Micro Finance Pvt. Ltd. |
| 37 | Anitha M | Independent |
| 38 | Viswanathan Sridhar | Independent |
| 39 | Mirza Hussain | Independent |
| 40 | Ankitha | Independent |
| 41 | Raghunandan Koshti | Independent |
| 42 | Ranjan Kakati | Independent |
| 43 | Suresh Iyer | GRUH Finance Ltd. |
| 44 | Astha Saxena | Independent |
| 45 | Rasha Lala | Janaadhar |
| 46 | Govind Kumar | Architect |
| 47 | Manikandan KP | IHF |
| 48 | Madalasa Venkataraman | IHF |
| 49 | Sayali Marawar | IHF |
| 50 | Meghna Mohandas | IHF |
| 51 | Namitha Cherian | IHF |
| 52-75 | Employees | PMAY(U) Mission and Town and Country Planning, Assam |