

# **Model State Affordable Housing Policy for Urban Areas**

**Draft for Comments**

**September, 2013**



**Government of India**

**Ministry of Housing and Urban Poverty Alleviation**

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Note:  
 <Highlighted portions represent the areas where State Govts will have to insert their inputs or amend as deemed fit>

## Note for comments

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Government of India  
Ministry of Housing and Urban Poverty Alleviation  
Housing Division

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### Office Memorandum

**Sub: Model State Affordable Housing Policy for Urban Areas: Draft for Comments**

India has witnessed a boom in home ownership in the past two decades. However this has helped the growing upper and middle class in India and the poorer segments of our society are yet to reap the benefits. A recent report of the Technical Group on Urban Housing Shortage (2012-17) constituted by this Ministry has substantiated this fact and pegged the total housing shortage to be at 18.78 million dwelling units of which over 95% pertains to the economically weaker sections and low income group categories. Nevertheless, the importance of the housing and construction industry can be gauged from the fact that it supports more than 250 ancillary industries and contributes nearly 10% to the GDP. In order to address the various issues illustrated thus far, this Ministry had come up with the National Housing and Habitat Policy (NUHHP), 2007 which has outlined 'Affordable Housing to All' as its mandate.

This Ministry held a one day "National Symposium on Affordable Housing" on July 22, 2013 from 10.00 am onwards. The objective of this symposium was to take forward the agenda of affordable housing for all. In this meeting, there was a request from the various State Ministers present to provide guidance to States in formulation of an State Affordable Housing Policy. To this effect, this Ministry has prepared a draft 'Model State Affordable Housing Policy for Urban Areas' and is available in 'What's New' section of our website: [www.mhupa.gov.in](http://www.mhupa.gov.in) .

You are requested to kindly provide your valuable comments/inputs/feedback on the same by **October 16, 2013** to the following:

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We look forward to receiving your valuable comments.

Sd/-  
(KBS Sidhu)  
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Ministry of Housing and Urban Poverty Alleviation

# Model State Affordable Housing Policy for Urban Areas

## 1. Need for the policy

- 1.1 Cities and Towns in the State are emerging as centres of economic growth as they contribute significantly to the Regional, State and National economy. This growing importance of urban areas in the economic sphere and the opportunities it presents has led to migration and increase in rate of urbanization. However, the state of planning and preparedness of urban centres in India to cater to the current or future demands leaves much to be desired.
- 1.2 The lack of housing and basic services at the required pace to meet the challenges of urbanisation has resulted in the development of slums and squatter settlements with wider ramifications on the health, safety and well-being of the citizens. The gap between the supply and demand of the housing has been widening thus pushing up the market rates for housing. As per the report of the Technical Group on Urban Housing Shortage (2012-17) constituted by the Ministry of Housing and Urban Poverty Alleviation (MoHUPA), Government of India there is a shortage of 18.78 million dwelling units out of which nearly 96% belongs to the Economically Weaker Sections (EWS) and Lower Income Group (LIG) Households.
- 1.3 The importance of the housing and construction industry can be gauged from the fact that it supports more than 250 ancillary industries and contributes nearly 10% to the GDP. Both from the perspective of increasing the employment & income generation and augmenting the housing stock in the country, the affordable house construction industry can impart necessary fillip to the economy.
- 1.4 However, the mammoth investments needed for creation of the housing infrastructure is much above the limited public resources available with the governments and therefore private sector needs to play an important role in this regard.
- 1.5 In order to address the various issues illustrated thus far, The MoHUPA had come up with the National Housing and Habitat Policy (NUHHP), 2007 which has outlined “Affordable Housing to All” as its mandate. The NUHHP, 2007 had envisaged that the States would prepare a State Urban Housing and Habitat

Policy and also a State Urban Housing & Habitat Action Plan. The policy empowers the States to include passing of specific Acts by the States to achieve the housing policy objectives through institutional, legal & regulatory reforms, fiscal concessions, financial sector reforms and innovations in the area of resource mobilization for housing and related infrastructure development including promotion of cost effective building materials and technologies at the State level. The policy will also include an action plan and a pragmatic road map to achieve the objectives of the policy.

1.6 The State has been striving to achieve housing security to all residents through appropriate policy and programmatic interventions since past few decades. <STATES TO INSERT DETAILS>. In line with the recent initiatives taken by the State in this direction, creation of a specific policy namely “State Affordable Housing Policy for Urban Areas” with a clear mandate to synergize and facilitate efforts in the direction of providing affordable housing for all had become the need of the hour.

1.7 Accordingly, the “< NAME OF STATE> Affordable Housing Policy for Urban Areas” has been announced as brought out in succeeding paragraphs. The “< NAME OF STATE> Affordable Housing Policy for Urban Areas” (herein after referred to as the “Policy”) will come into effect from the date of notification in State Gazette.

## 2. Aim of the State Affordable Housing Policy for Urban Areas

The aim of this policy is to create an enabling environment for providing “affordable housing for all” with special emphasis on EWS and LIG and other vulnerable sections of society such as Scheduled castes/Scheduled Tribes, Backward Classes, Minorities and senior citizens, physically challenged persons in the State and to ensure that no individual is left shelter less. The Policy further aims to promote Public Private People Participation (PPPP) for addressing the shortage of adequate and affordable housing.

## 3. Target groups

The target group for this policy are urban poor classified by MoHUPA, Government of India as persons belonging to the Economically Weaker Sections (EWS) and Lower Income Groups (LIG) etc. based on income criteria as under(\*) :

Group	Annual Household Income range
EWS	Up to Rs 1 lakh
LIG	From Rs. 1-2 lakhs

In the State of <NAME> income criteria and classification of urban poor is as under:

Group	Annual Household Income range
BPL	To be prepared/inserted by state
EWS	- do -
LIG	- do -

#### 4. Classes of towns and cities:

The policy is applicable to all the municipal areas and as notified by the Government of < NAME OF STATE > in the State Gazette from time to time.

#### 5. Definitions

5.1 **Affordable housing:** Generally affordability is taken as 3-4 times the annual income. However in all schemes and projects where subsidy is offered by the State / Central Govts for individual dwelling units with a carpet area of not more than 60 sq. m., then the price range of a maximum of 5 times the annual income of the household, either as a single unit or part of a building complex with multiple dwelling units will be taken as affordability entitlement. The areas of the dwelling units for the EWS and LIG are given below:

Group	Area (in Sq. m)
EWS	21-27
LIG	28-60

5.2 **Affordable Housing Project:** For the purpose of this policy an affordable housing project is defined as a Housing project wherein at least 60% of the Floor Area Ratio (FAR)/Floor Space Index (FSI) consists of dwelling units with a carpet area of not more than 60 square meters and 15% of the total project FAR/FSI or 35% of the total number of dwelling units, whichever is higher, is reserved for EWS category.

#### 5.3 Slum rehabilitation projects:

5.3.1 **“In-situ Slum Re-development project”** – means the project where in existing slum areas will be redeveloped by providing proper access, dwelling unit, open spaces and other basic services to the slum dwellers on land on which the slum exists.

5.3.2 “**In situ Slum Up-gradation project**” – means the project of improving the quality of dwelling spaces occupied by slum dwellers with provision of basic services and infrastructure services

5.3.3 “**Slum Resettlement project**” – means the project of relocation and settlement of slum dwellers from the existing untenable slums to an alternative site with provision of dwelling space, basic civic and infrastructural services. However resettlement, if absolutely necessary, needs to be taken up as the last resort and with due consideration to minimize adverse impacts on livelihoods of the re-settlers.

## 6. Strategies/ Models for housing

The State seeks to address housing shortage through the following housing models:

- 6.1 **Ownership housing:** A number of policy initiatives of the Government of < NAME OF STATE > have helped in the past to meet the challenges of ownership housing to some extent. This policy will thus focus on provision of affordable ownership housing for all its residents who can afford the same.
- 6.2 **Incremental housing:** Congestion of dwelling units is one of the critical factors resulting in housing shortages. The policy shall thus focus on incremental housing which will allow for pacing of construction as per the convenience of the owner and also allow additions and extensions to existing dwelling units.
- 6.3 **Rental housing:** For the workers with ownership housing elsewhere or not preferring ownership housing or who cannot afford ownership housing, the State shall endeavour to facilitate rental housing by creating conducive environment for creation of affordable rental housing stock.
- 6.4 **Shelters and other form of housing:** The State Government shall ensure that no person is left homeless in the State. To this effect, transit homes, shelters for homeless, dormitories and hostels with allied facilities, at affordable rates for those who can pay and free for the destitute will be

encouraged. Further, the State shall endeavour to cater to the housing needs of other categories of citizens such as the senior citizens, women, students, physically and mentally challenged, SC/ST/OBC and Minorities, etc.

## **7. Central Government interventions and specific action points**

In order to supplement the efforts of the State Government, it is anticipated that the Government of India support will be forthcoming in the following aspects:

- 7.1 Through National Policies, Programmes and Schemes and act as a facilitator in the creation of affordable housing stock.
- 7.2 The Central Government will also on one hand provide for capital grants support to Affordable Housing projects under various schemes to act as a lever to boost the supply of affordable housing and also provide for greater channelization of credit to the urban poor to enhance their purchasing power on the other.
- 7.3 Ministry of Housing and Urban Poverty Alleviation from time to time will provide inputs to the Ministry of Finance for providing fiscal and financial incentives to this segment.
- 7.4 The Government of India shall also strive to accord industry status to the real estate segment.
- 7.5 The Government of India shall also consider making Viability Gap Funding available for Affordable Housing projects.
- 7.6 Facilitate greater flow of capital through external sources like the External Commercial Borrowings and Foreign Direct Investment.
- 7.7 The Central Government will encourage development of new avenues for project financing for Affordable Housing including that from the insurance and pension funds.



- 7.8 The recent initiatives of Government of India like the Credit Risk Guarantee Fund Trust and Urban Housing Fund needs to be further promoted.

## **8. State interventions and specific action points**

Since the Constitution of India envisages provision of Housing as the primary responsibility of the State Government, major initiatives are proposed to be taken by the State of <NAME OF THE STATE> as part of the vision of the Government to provide affordable housing for all residents. In addition to the initiatives of the State Government has brought out in Para 1.6 above, some of the additional initiatives are enumerated in this section:

### **8.1. Land**

- 8.1.1 At least 15% of the total project Floor Area Ratio (FAR)/Floor Space Index (FSI) or 35% of the total number of dwelling units, whichever is higher, will be reserved for EWS category.
- 8.1.2 The State Government including that of its agencies such as the Urban Development Authorities, Housing Boards, other parastatal agencies and Urban Local Bodies (ULBs) will, as far as possible, provide land for affordable housing projects.
- 8.1.3 Subject to any Central Law, a people friendly land acquisition policy for the State will be created for undertaking affordable housing projects.
- 8.1.4 Various models for assembling land will be encouraged in both Government and Private sectors by offering trunk infrastructure facilities and transportation linkages to such site.
- 8.1.5 The policy aims to create an inventory of land holdings in cities to constitute a land bank and prepare an asset management plan for better management of the available land and targeting its supply to create affordable housing dwelling units. The State shall compile and maintain the inventory.
- 8.1.6 The State will also develop innovative ways for capturing the value of land by way of developing infrastructure and regional connectivity.

- 8.1.7 The State shall notify a policy on property rights to slum dwellers to provide title to the land and a non-eviction policy for residents of slums with over <5> years of documented stay in a particular location.
- 8.1.8 Mortgagable leasehold property rights and land titles for the EWS and LIG categories shall be facilitated by the Revenue Department and the ULBs.
- 8.1.9 Infrastructure services including water supply, sanitation, health, education facilities to existing housing colonies where there is absence of such facilities will be ensured
- 8.1.10 Special dispensation to the socially vulnerable sections like senior citizens, women, students, physically challenged, SC/ST/OBC and Minorities, etc. of the State shall be made.
- 8.1.11 In situ Slum upgradation of slums and allied infrastructure will be taken up by tying up various schemes of Central and State Government.

## **8.2. Finance**

The State shall strive to provide financial incentives towards reducing the cost of the dwelling units through monetary interventions and/or concessions to housing providers so that they are incentivized to increase the supply of dwelling units in the Affordable Housing segment, thereby bringing down the costs of such dwelling units. The following key incentives are envisaged:

- 8.2.1 The State shall provide appropriate targeted subsidies for creation of affordable housing stock on both supply and demand side.
- 8.2.2 The State shall endeavour to establish linkages and bring convergence with the various fiscal initiatives provided by the Government of India for Affordable Housing projects such as Foreign Direct Investment, External Commercial Borrowings, Urban Housing Fund Refinance Scheme, Credit Risk Guarantee Fund, Viability Gap Fund, Real Estate Mutual Funds and Investment Trusts etc. and other schemes that are operationalized from time to time.

- 8.2.3 The State shall also encourage private developers and ULBs/Development Authorities/Housing Boards etc. to undertake affordable housing projects under various schemes being implemented by the National Government.
- 8.2.4 The State will facilitate targeting of subsidies from National and State governments to the appropriate segments of population including that of facilitating access of individual loans under the Rajiv Rinn Yojana (RRY) of Government of India and the Rajiv Awas Yojana aimed at creating a slum free India.
- 8.2.5 Innovative and demand driven Public Private People Participation (PPPP) projects for affordable housing will be promoted.
- 8.2.6 The ULBs shall earmark at least 25% of the budget under the “Basic Services for Urban Poor Fund” to be created for delivery of basic services to the urban poor.
- 8.2.7 The State shall endeavour to set up a ‘State Shelter Fund’ that would be exclusively earmarked for funding affordable housing projects in the States. A portion of this fund shall be earmarked for credit risk and for viability gap funding (VGF) of affordable housing projects undertaken on Public Private Partnership (PPP) mode. The funding for the same will be from an initial corpus from the State government and further earmarking a certain percentage from the development fee of ULBs and UDAs.
- 8.2.8 The policy seeks to encourage a transparent approach on taxing the affordable housing properties in all ULBs.
- 8.2.9 The policy seeks to promote linkages to formal lending institutions including Micro Housing Finance Institutions to all desiring beneficiaries wishing to access financial institutions for housing purposes. The State Level Bankers Committees and District Level Bankers Committees will be consulted for facilitating greater flow of funds to the EWS and LIG segments.
- 8.2.10 The policy seeks to promote financial incentives to private developers which could include:

8.2.10.1 Tailored incentives for different types of cities/towns – the State shall endeavour to provide targeted subsidies and incentives that bring in the best value for the city/town under consideration and based on the ULBs' capacity to match the incentives both in financial and physical resources perspectives.

8.2.10.2 The States will consider concessions and or exemptions from State charges/taxes for Affordable Housing Projects for EWS/LIG as below:

- Waiver of or/Nominal Stamp duty
- Waiver of or/Nominal External Development Charges
- Waiver of or /Nominal Land Conversion Charges
- Waiver of or /Nominal Building Plan Approval Fees
- Waiver of or/Nominal line infrastructure (water supply, sewerage, SWM, etc.) connection charges and user fee

8.2.10.3 A buyback price for EWS/LIG Dwelling Units shall be notified by the State government from time to time.

8.2.11 The policy lays special focus on increasing financial literacy of the EWS and LIG segments and State shall seek to achieve complete financial inclusion of these segments of the society.

8.2.12 As a logical next step, the policy proposes that social security programmes for urban poor are dovetailed with the housing programmes of the State/Centre.

8.2.13 State government will initiate programs and issue directive/ guidelines to ULBs to create/ support entities that accelerate the home ownership process in low income groups through the following generic types of interventions:

8.2.13.1 Outreach to low income families on the importance of home ownership for financial security.

8.2.13.2 Active handholding in the process of securing home loans and purchasing houses.

8.2.13.3 Interventions in skill development livelihood, health and education in completed projects to ensure the upward mobility of these low income home owners.

8.2.13.4 To develop an instrument that could also have a specific window to share the lender's costs of servicing a loan.

### **8.3. Legal and Regulatory Reforms**

The state shall strive to create an enabling environment for the development of affordable housing segment through appropriate legal and regulatory reforms illustrated as under:

8.3.1 The State shall prepare a <10 year> affordable housing action plan to ensure housing is provided for the immediate near future. The target of the plan however, would be to saturate the housing requirement within a set time frame.

8.3.2 In order to fast track the building permits, the State shall:

8.3.2.1 Endeavour to establish a Single Window Clearance cell with an aim to provide building permits within <60 days> from the date of application.

8.3.2.2 Issue simplified set of regulations and procedures for issue of such permits.

8.3.2.3 Develop an online/e-enabled and transparent Single Window Approval System for fast-track clearances and to track applications.

8.3.2.4 Set up a Nodal Agency for implementation of the policy to be constituted which will oversee and coordinate fast track clearance for Affordable Housing projects.

8.3.2.5 Set up an Empowered Committee headed by the Chief Secretary, to meet regularly to monitor progress in streamlining building approvals

8.3.2.6 Provide for special dispensation for affordable housing projects and green housing projects.

- 8.3.2.7 Institute annual awards for the best performing cities/towns for successful implementation of the same.
- 8.3.3 The policy seeks creation of an institutional mechanism to facilitate faster conversion of agricultural land to non-agricultural land within the boundary of the urban planning area, if in compliance with the Master Plan.
- 8.3.4 The State Town and Country Planning Acts and other Corporation and Municipal Acts shall be amended to reflect adequate land coverage and other planning changes required to undertake affordable housing projects.
- 8.3.5 The State shall notify a Slum De-notification Policy/Guideline for slums that have benefitted from interventions in terms of housing and infrastructure.
- 8.3.6 The State shall link beneficiary identification in its schemes to Adhaar enrolment as a pre-condition wherever Aadhar cards have been issued.
- 8.3.7 The State will revise its Planning and Development norms for optimal use of resources like:
- 8.3.7.1 Develop zones for EWS / LIG / Middle Income Group in the Master plan.
- 8.3.7.2 Floor Area Ratio (FAR) /Floor Space Index (FSI): Liberal FAR/FSI norms to create more housing stock to accommodate as much of the low income segment as possible, subject to minimum of <1.75, an additional 1/3<sup>rd</sup> over and above the existing FAR/FSI> will be allowed for affordable housing projects.
- 8.3.7.3 Ground Coverage: subject to minimum of <50%, additional ground coverage up to 10% over and above the existing norms> will be provided
- 8.3.7.4 Density: Liberal density norms to create more housing stock to accommodate as much of the low income segment as possible, subject to a minimum of <350 DUs/Hectare an additional 50% density over and above

the existing density norms> will be will be allowed for affordable housing projects.

8.3.7.5 Parking norms to be reduced/ rationalized for affordable housing projects.

8.3.8 The existing Master Plans and land use plans shall be reviewed periodically to ensure inclusive principles of planning and earmarking of zones/lands for the affordable housing projects.

8.3.9 Builders and Developers will be incentivized by granting additional FAR/FSI and Transfer of Development Rights (TDR) credits in their projects if they build exclusive affordable housing projects as prescribed by the State from time to time.

8.3.10 The policy seeks to use of the data already available in cities on employment and infrastructure such as the Socio Economic Caste Census, Unique ID Authority of India, other State, regional and city data for planning purposes.

8.3.11 A pragmatic rent act that balances the interests of both the tenant and the owner, and supporting exclusive rental accommodations/dormitories for the workers from outside the city/region needs to be drawn up.

#### **8.4. Technology Support and its transfer**

The State shall endeavour to provide support for appropriate building and construction technologies and its transfer from lab to land. For this, the State shall:

8.4.1 Encourage use of vernacular styles of architecture for construction of housing stock.

8.4.2 Promote innovative technology and building materials for low-cost and mass housing

8.4.3 The State shall strive to encourage the following technologies for mass housing and provide for special dispensation for these:

- i. Prefab technologies
- ii. Green Housing
- iii. Low energy consuming building materials

- iv. Rainwater harvesting and water conservation technologies
- v. Other latest technologies

8.4.4 Necessary support will be provided to the above technologies through incorporation into the standard schedule of rates, allowing price preference etc.

## **8.5. Infrastructure**

8.5.1 The policy seeks to ensure that all required physical and social infrastructure for the affordable housing projects is in place.

8.5.2 Transportation linkages with the region and employment centers shall be ensured.

## **8.6. Satellite/integrated townships**

8.6.1 The State shall promote integrated townships with all classes of housing – from HIG through EWS – in the best interest of everyone.

8.6.2 Special projects and townships exclusively for the EWS/LIG categories shall be given preference.

## **8.7. Institutions**

8.7.1 The existing institutional mechanisms for creation of affordable housing such as the State housing board, Development Authorities and Slum Redevelopment Authority/Clearance Boards will be rejuvenated to meet the ever growing demands of the sector.

8.7.2 Need based Special Purpose Vehicles for promoting affordable housing projects shall be launched.

## **8.8. Capacity building**

8.8.1 The capacities of the functionaries in State/Housing Boards and ULBs including parastatals shall be enhanced for effective and efficient provision of housing services.

8.8.2 Dedicated Municipal Cadre for the effective delivery of services and housing shall be put in place.



## **8.9. Sustainability Concerns**

- 8.9.1 Environmental sustainability in terms of materials and usage shall be monitored by the Nodal Agency.
- 8.9.2 Economic sustainability of the constructed projects with adequate provisions for operation and maintenance of structures including community structures shall be put in place.
- 8.9.3 In completed projects, the EWS & LIG households will be educated regarding building maintenance and community management.

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