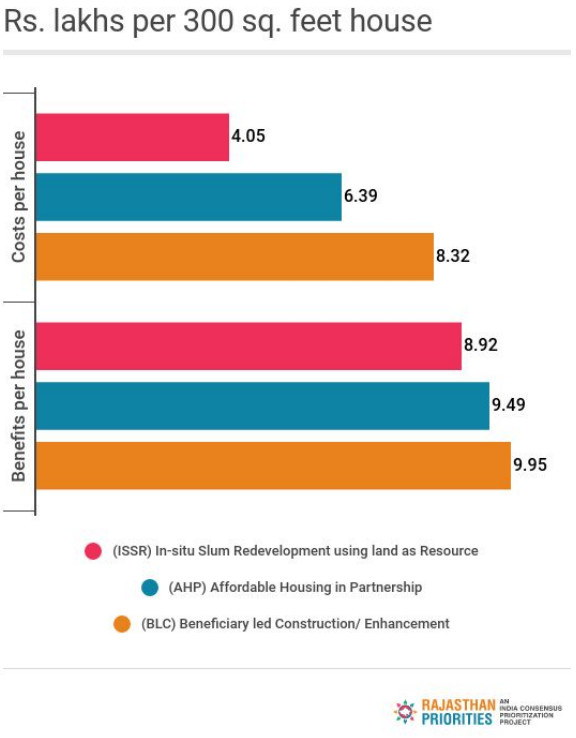
Social Housing

The Problem

Providing ownership housing to all houseless households and those living in unacceptable dwelling units on account of the temporary or obsolete structure, congestion, privacy factors, slum and squatter settlements, etc. has been in the policy domain for past few decades. The Union Government has launched the Pradhan Mantri Awas Yojana (Urban) (PMAY U) mission promising to provide acceptable dwelling units to all by 2022. The Technical Group on Urban Housing Shortage, 2012–17 (TG-12) noted that the households from Economically Weaker Sections (EWS- income up to Rs. 5,000 per month) and Lower Income Groups (LIG-income between Rs. 5,000 and Rs. 10,000 per month) account for 56.18 percent and 39.44 percent, respectively, of the total shortage of 18.8 million (MoHUPA, 2012). EWS & LIG category account for almost 80 percent of households in urban areas. The figures for the households living in obsolete houses, non-serviceable katcha house and the homeless are 12 %, 5 % and 3 % respectively.

This study tries to bring in empirical evidence in the context of alternative perspectives, based on an evaluation of three centrally sponsored verticals viz. Beneficiary-led Construction or enhancement (BLC) (individual led), Affordable Housing in Partnership (AHP) (private developers led) and In-situ Slum Redevelopment (ISSR) (public private partnership and community engagement) launched under Housing for All by 2022 - Pradhan Mantri Awas Yojana Urban (PMAY U). The idea is also to propose re-allocation of the funds available under PMAY U across verticals so as to maximize the impact on social welfare.

Although the total target of the housing shortage has been brought down from 20 million to 12 million, apparently based on demand survey, the progress towards achieving the revised target has, at best, been sturdy. It is also interesting that the importance given to the four verticals deigned under the mission has undergone changes in the process of implementation. The progress under ISSR has been extremely low, which was supposed to meet about 90% of the housing shortages.



BLC has made significant progress because the public institutions have found it easier to deal with households with access to land in providing housing assistance. The progress towards AHP, too, has not been satisfactory because of the low level of participation of private sector and their reluctance to adhere to various stipulations, as envisaged under PMAY U. Across verticals, the houses sanctioned under BLC, AHP, and ISSR were 55, 37 and 2 percent respectively. ISSR vertical has not kicked off with 0.07 million houses sanctioned so far. Despite the Mission acknowledging the need for a sharp focus on slums, the progress under ISSR vertical has so far been abysmally low.

Rajasthan has reported very low proportion of houses (less than 1 percent of national, 26,411 houses) sanctioned under PMAY U centrally sponsored schemes. The vertical wise composition was 180 and 26,231 houses for BLC and AHP respectively, and none under ISSR.

The analysis carried out for the cities in Rajasthan clearly reveals that AHP enjoys a distinct advantage over BLC in terms of the BCR. This implies that any resource reallocation from BLC to AHP will result in greater net social

benefit. Similarly, the ISSR has much higher BCR than the other two. However, more than 50 percent of the sanctioned projects and housing units are under BLC which would lead to suboptimality in overall housing scenario.

Size of the dwelling unit for Affordable housing to the urban poor is taken to be 300 sq. ft. for all the three verticals- BLC, AHP and ISSR in large cities of India for the purpose of comparisons. Time of completion of house/project is taken to be 1.5 years for all the verticals. For Rajasthan, Jaipur city has been selected as a proxy for large cities, primarily because it is the Capital of Rajasthan, a Metropolis having about 3 million population. Estimation of benefits have been computed taking time horizon of 10 years after house possession.

Solutions

Interventions	BCR	Total benefit (INR lakhs)	Total cost (INR lakhs)
In-situ Slum Redevelopment using land as Resource (ISSR)	2.20	8.92	4.05
Affordable Housing in Partnership (AHP)	1.49	9.49	6.39
Beneficiary led Construction/ Enhancement (BLC)	1.20	9.95	8.32

Total costs and benefits for 300 sq. feet house discounted at 5%

The full research paper by **Amitabh Kundu**, Distinguished Fellow of the Research and Information System for Developing Countries (RIS), and **Arjun Kumar**, Visiting Fellow of the Institute for Human Development (IHD) is available on www.rajasthanpriorities.com/urbanisation-migration-and-transport.

Beneficiary led Construction/ Enhancement (BLC)

Overview

This vertical aims at assisting households having clear land title and proving subsidized capital for incremental housing. Under this households having land can construct a house or those having a house can extend it, as per a plan sanctioned by the local agency and claim a subsidy of Rs 1.5 lakh from the central government. The initiative of beneficiaries primarily drives this vertical and hence can be taken as demand oriented

Costs

The major components of cost are that of land, house construction and building internal infrastructure. In addition, the cost of managing and supervising the construction process and completing the procedures and formalities with the concerned local level agencies would be added to it.

The total cost of building a 300 sq. feet house under the BLC vertical for large cities in Rajasthan at NPV has been estimated at Rs. 8.32 lakh at the discount rate of 5 percent.

Benefits

The market price of a planned ownership dwelling unit with a built-up area of 300 sq. feet is considered as the benefit. The market price is expected to reflect the net benefit derived by the household over the lifespan of the house.

The net present value of the benefit 5% discount rates is Rs. 9.95 lakh.

Affordable Housing in Partnership (AHP)

Overview

Under the AHP, affordable housing projects are to be undertaken in partnership with public and private sectors. AHP will be eligible for central assistance if only it has at least 250 houses and 35% of these are for EWS category. This vertical is led by the developers and hence may be taken as the supply side intervention.

Costs

The cost of procuring land in the outer zone of large cities has been taken as the cost of land since the AHP are likely to come neither in the central business district nor in the outer periphery. In addition, the cost of construction of the house and those of provisioning of internal and external infrastructure are to be added. The cost of project management and of completing the formalities and meeting procedural requirements vis-à-vis the concerned local authorities are often built into the cost of construction of the house and infrastructure.

The total cost of a 300 sq. feet house along with the infrastructure under the AHP vertical for large cities in Rajasthan at NPV is Rs. 6.39 lakh at 5 percent discount rate.

Benefits

The benefits enjoyed by the consumer over lifetime of the house would be captured by its market price. However, in addition, there is a profit component accruing to the builder which would be counted as an additional benefit to the society. However, as the builder will be in a different income group than the beneficiary - who are taken as poor - the benefits of the former are to be given a different weight (The benefit to the builder is discounted based on a logarithmic welfare function).

The benefit of a 300 sq. feet house under the AHP vertical at NPV was estimated at Rs. 9.49 lakh at 5 percent discount rate.

In-situ Slum Redevelopment using land as Resource (ISSR)

Overview

In-situ Slum Redevelopment is to be undertaken by a public agency jointly with private developers using land as a resource. The engagement of the slum community is likely to be high in these projects although the guidelines of the vertical are not very categorical about it.

It is designed to support the states and local bodies to redevelop all existing slums in a holistic and integrated way and to create new affordable housing stock.

Costs

The vertical involves no land cost as it is envisaged that the land will be made available by the state and local bodies free of cost or land title will be given for in-situ development. This slum land has no alternate use as it is not possible to acquire the land by evicting the slum dwellers for any other purpose. Consequently, only the cost of constructing the dwelling unit, internal and external infrastructure; community mobilization, project management etc. are taken as components of the cost. To this, the cost of providing transit accommodation are added.

The cost of a 300 sq. feet house under the ISSR vertical for large cities in Rajasthan at NPV is estimated at Rs. 4.05 lakh at 5 percent discount rate.

Benefits

The market price of a house in a planned locality with 300 sq. feet built-up area in the low income neighborhood in the inner zone of large cities is considered as the benefit accruing to the slum household.

Slum dwellers, will, however, get certain additional benefits that are not reflected in the market price. These are benefits due to reduced morbidity and reduction in healthcare expenditure and person-hours saved due to access to basic amenities (especially availability of water and sanitation within the house).

The final component of benefit would be the price of the building material which the slum dwellers can get by dismantling their existing structure and selling these in the market.

The net present values of a 300 sq. feet house under the ISSR vertical is estimated at Rs. 8.92 lakh at 5 percent discount rate.