

# Social Housing

## The Problem

Providing housing for ownership 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 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 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 the re-allocation of funds available under PMAY U across verticals so as to maximize the impact on social welfare.

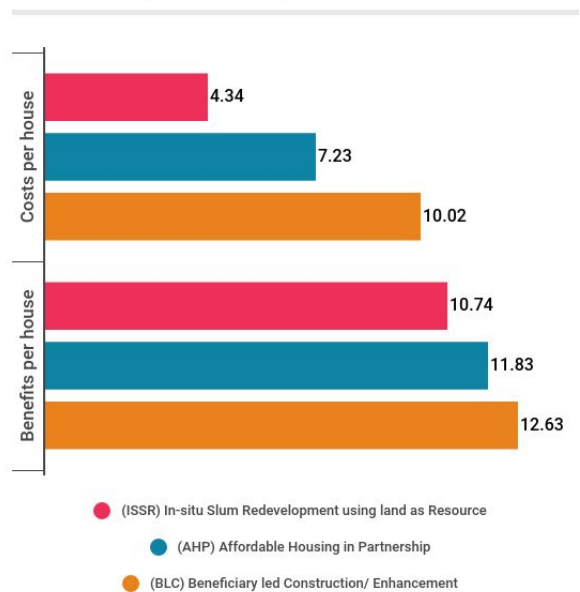
Although the total target of the housing shortage has been brought down from 20 million to 12 million, apparently based on demand survey, the progress towards achieving the revised target has, at best, been sturdy. It is also interesting that the importance given to the four verticals deigned under the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

BLC has made significant progress because 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.

Andhra Pradesh has reported very high proportion of houses (about 20 percent of national, 0.7 million houses) sanctioned under PMAY U. The same is true for AHP. Unfortunately, ISSR is yet to take off the ground with no unit being sanctioned under it till date. The vertical wise composition was 0.2 and 0.48 million houses for BLC and AHP respectively, and none under ISSR.

The analysis carried out for the three verticals in Andhra Pradesh clearly reveals that AHP enjoys a distinct advantage over BLC in terms of the BCR. Similarly, the ISSR has higher BCR, significantly above the other two. This implies that any resource reallocation from BLC to AHP will result in greater net social benefit. However,

Rs. lakhs per 300 sq. feet house



giving ISSR the top priority can strongly be recommended since, under this, the net benefits to the society would be several folds compared to BLC and AHP.

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. Vijayawada city has been selected for the state of Andhra Pradesh, comparable to the average large cities of India.

## Solutions

Interventions	BCR	Total benefit (INR lakhs)	Total cost (INR lakhs)
<b>In-situ Slum Redevelopment using land as Resource (ISSR)</b>	2.48	10.74	4.34
<b>Affordable Housing in Partnership (AHP)</b>	1.64	11.83	7.23
<b>Beneficiary led Construction/ Enhancement (BLC)</b>	1.26	12.63	10.02

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**, Director, Impact and Policy Research Institute (IMPRI) is available on [www.appriorities.com/urbanisation-migration-and-transport](http://www.appriorities.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 Andhra Pradesh at NPV has been estimated at 10.02 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. 12.63 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.

Financial assistance for constructing EWS houses built through such private-public partnerships. Central Assistance at the rate of Rs.1.5 Lakh per EWS house would be available for all EWS houses in such projects.

### Costs

The cost components include the cost of land (to be procured in the outer zone of large cities). 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 Andhra Pradesh at NPV, is estimated at Rs. 7.23 at 5% discount rate.

### Benefits

Its market price would capture the benefits enjoyed by the consumer over lifetime of the house. However, in addition, there is a profit component accruing to the builder which would be counted as an additional benefit to the society (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. 11.83 lakh at 5% 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. This intervention is carried out in public-private partnership mode.

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. 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, that of shifting and bringing them back and rehabilitation are added.

The cost of a 300 sq. feet house under the ISSR vertical for large cities in Andhra Pradesh at NPV was estimated at Rs. 4.34 lakh at 5% 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 is 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 are estimated at Rs. 10.74 lakh at 5% discount rates.