

# Real Estate for Affordable Housing

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**Abstract**—The Real Estate in India plays a major role in the development of the country as a whole. This sector also has a multiplier effect on the various other sectors like Cement, Steel, Bricks, and other Industries. However due to the financial crisis of the last few years, its potential has really dampened, rather its role as a catalyst is being weakened.

The Ministry of HUPA, has suggested different parameters for 'Affordable Housing' for EGS, LIG & MIG. However, these limits are unrealistic, so also the various initiatives taken are found to be inadequate. New progressive policies are needed urgently, along with the clarification by the government of its view on key problems related to availability of Land, Finance, Taxes, labour etc.

For Real Estate to play a role in 'Affordable Housing', the above definitions needs to be changed as per the current Market Trends, and various financial and non financial incentives needs to be provided to the Real Estate Market.

The Real Estate also has to think "Out of the Box", to provide for the realistic designs, rather than the construction of routine concrete jungle. Then only the 'big dream' of affordable housing can come into existence.

**Keywords:** Real Estate, Affordable Housing, Sustainable development, Reverse Migration, Avalanche for Change.

## 1. INTRODUCTION

The new Governments focus on sustainable development, all across the nation is likely to bring an avalanche for change. Discussions, in various International / National Conferences and Workshops have all been started in the country and beyond. The new brand of 'Intelligent Urbanism' will once again lead to Reverse Migration of the people towards the cities in search of economic opportunities. All these people will need affordable housing, for their continued living in the cities.

These new cities will have to be built on the framework of Sustainable development. Existing local environment will have to be taken into account to create climate responsive architecture. By studying the unique ecosystem and local biome, business and residential development will have to be incorporated into a single neighbourhood

### 1.1 Real Estate

Real Estate is the agglomeration of, all the following players in the Sustainable Development, taken together or each one, taken as an independent agency, in its own area of operation.

- Central Government
- State Government
- Urban Local Bodies
- Development authorities
- Statutory housing corporations
- Town Planning Schemes
- Cooperative Societies
- Real Estate Developers
- Land Pooling

However the Conflict of Interests arises within the different players because, each one of the above players has its own, different perspective to look at the same problem. It ultimately results into poor utilization of lands. The present paradigm needs to be changed completely so that high intensity land utilization occurs.

### 1.2 Affordable Housing

The definition of "affordable housing" varies across economies and the States, and they try to quantify the term by means of 'affordable area in sq. m. based on, financial viability and social acceptability'. However, in every city these standards shall have to be adjusted for the local context



Fig. 1: Affordable Housing. (JONES LANG LASALLE, report on Affordable Housing in India.)

## 2. ISSUES BEFORE REAL ESTATE

- Lack of clear land titles
- Absence of title insurance
- Absence of industry status
- Lack of adequate sources of finance
- Shortage of labour
- Rising manpower and material costs
- Approvals and procedural difficulties
- Unavailability of Status of an Industry

### 3. METHODOLOGY

Real Estate Players, their design teams, their planning system, and the community they serve, should share a common goal to create high quality place.

#### 3.1 For the Central /State Governments

##### 3.1.1 Public Auction

The system of “ Public Auction” used by the Government for allocating ‘coal blocks’ and ‘spectrum’ should also be used for allocating the land blocks (available in different cities, of different states) to the ‘Real Estate’.

Any one of the players or the combination can bid for the land block. The Affordable Housing Scheme can be developed on these land blocks, either on BOT basis, or on the basis of sharing the plots or constructed dwelling units on the percentage basis. Government will have the say, while developing its social agenda, by fixing a compulsory quota for EWS / LIG schemes.

At the same time the revenue so obtained can be shared in the decided proportion between the concerned agency,(say Municipal Corporation, Housing board, developing Agencies etc.) concerned State Government and the Central Government. The money so earned should also be earmarked for the infrastructure and other related amenities in and around the ‘land block’ under consideration.

##### 3.1.2 Plan-led approach

A tiered and plan-led system, cascading from national strategies to local land block plans, will help develop sustainable development. The development plan should be at the heart of the system, transposing national and regional policies and setting the strategic context for local land block plans. The scale, location and nature of major new residential development should be determined by the development plan.

##### 3.1.3 Strategic Development Zones

On the lines of Special Economic Zones (SEZ), the Government can plan for Strategic Development Zones (SDZ) to provide an integrated planning framework for creating sustainable neighbourhoods on the ‘land blocks’ which are of strategic economic or social importance to the State.

##### 3.1.4 Financial & Non- Financial Incentives

Some of the Financial & Non-Financial Incentives that can be given immediately to the Real Estate players are

- Declaration of ‘Industrial Status’.
- Tax exemption on ‘Rental Income’.
- Enhancement in FSI
- Reduction in Stamp Duty & Vat
- Mortgage Guarantee Fund
- One window Clearance
- Income Tax Benefits
- Direct subsidy for EWS
- Skill development of Construction workers

#### 3.2 For the Developer & Other Players:

The real estate players should take into consideration the following important points for the sustainable development in the country as a whole.



**Fig. 2: Real Estate Development.( Ref. McKinsey Global Institute, report on Affordable Housing, October 2014)**

##### 3.2.1 Study of new Development Models

Various State Governments have adopted different Developmental Models for Sustainable Development. They need to be studied and suitable changes be made for the development of ‘land blocks’ at local level.

##### 3.2.2 Mixed-income, Mixed-product development

A mixed-income, mixed-product development units can help cross-subsidize the income-restricted units, making the development more financially feasible.

Opportunities should also be created in a variety of markets and types of neighbourhoods, not only in central-city neighbourhoods but also in suburban locations.

The resources for the sustainable development are typically limited, which demands creativity from developers and design professionals.

### 4. CONCLUSION

The Real Estate will have to think ‘Out of Box’ to look for new models of sustainable developments. It should be seen both as a challenge and as an opportunity.

Challenge before the government of the day, to provide the facilities to the common man.

Opportunity for the Real Estate sector,(of which the government itself is a part) to come forward and make contribution towards the development. Both will have to go forward steadily and quickly in a determined manner to find out the solution.

The Government must provide incentives to the public and private sectors and to various Schools of Architecture to take up R&D activities, for new building materials & technologies and comprehensive planning for the ‘land block’ under consideration. This will help to realize, that low cost, affordable, sustainable and environment friendly housing and building structures becomes a reality. This will give an opportunity to hundreds of millions of people to find decent housing that they can afford without severe financial stress. At the same time, the Government must grant more financial and functional autonomy to the cities, as enjoyed by the City of

New York, Buenos Aires, Tokyo or London to get better results.

The Real Estate will have to think together, cutting across the traditional view points, to increase sustainable development in the country. Then only pragmatic solutions to the issues of creation of humane environment in the country could be answered.

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